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OCTOBER 16, 1981

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THE SHIELDING OF ANTULAYS AND GUNDU RAOS
Kerry

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This Week

October 8

The Pakistan Foreign Minister, Mr Agha Shahi, said that if the US Congress were to propose "unacceptable conditions" to the multi-million dollar military assistance programme for Pakistan, Islamabad might have to reconsider its position.

An understanding was reached between India and the US on a procedure involving a trade code on subsidies and countervailing duties which would affect millions of dollars worth of Indian exports in footwear and industrial fasteners. As a result of the understanding India has withdrawn the complaint it made against the US to GATT last year.

October 9

One man was killed and nine were wounded, three of them seriously, in police firing at Lalbaug in Bombay as the "rasta roko" agitation by the water-starved residents took a violent turn.

The Centre has directed the States not to pay any premium over the procurement price for paddy already fixed for the current kharif crop. The procurement price has been fixed at Rs 115 per quintal for coarse, Rs 120 for medium and Rs 123 for fine variety of paddy.

October 10

India and Ghana expressed concern over the deteriorating international situation and the increase in the super power military build-up in various parts of the world.

Bangladesh may receive a fresh consignment of military hardware from China. While the details of the armaments list are not officially known, the Bengali daily "Sangbad" quoting responsible sources, has reported that most of the arms, ammunition and other equipment are for the air force.

October 11

According to the Union Finance Minister, Mr R. Venkataraman, the annual rate of inflation computed on the wholesale price index for the last week of September stood at 7.8 per cent. It was a record 23 per cent in the last quarter of 1979-80.

Nearly 100 school children who were wounded in recent Teheran street demonstrations were taken from their hospital beds to the city's Evin prison last week and executed, the Paris office of the radical Muslim Mujahedin group said.

The Union Industry and Labour Minister, Mr N.D. Tiwari, has said the Government might enforce price regulatory measures if the manufacturers of automobiles, scooters, tractors and light commercial vehicles fail to control the prices.

October 12

Byelections to 16 Assembly seats and one Lok Sabha seat in eight States will be held on November 29.

The Bombay High Court admitted a special criminal application against the Maharashtra Chief Minister, Mr A.R. Autulay, concerning his alleged misuse of office to collect funds for various trusts set up by him.

Curfew was imposed in the old Bhopal city, the scene of October 11 mob violence. In the wake of the Government action to clear a traffic island of an unauthorised construction of a temple.

October 13

The Union Minister for Industry, Mr N.D. Tiwari, ruled out any decontrol either in the pricing or distribution of cement.

Professor James Tobin of the USA was awarded the Nobel Prize for economics for his research on financial markets in relation to expenditure

October 14

The US House of Representatives voted 301-111 against the sale of five AWACS early warning aircraft to Saudi Arabia.

About 30,000 workers returned to their jobs at the textile centre of Tomaszow ending a one-day strike to protest against continuing food shortages.

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What the RBI Didn't Tell the IMF

IN ITS annual report, the Reserve Bank of India brings out several features which ought to worry Mr Venkataraman (and will certainly worry the IMF). First, it sees no prospect of the current trend of deterioration in the balance of payments being reversed during the next two years. Second, it sees a basic imbalance in the supply and demand of critical commodities, largely wage-goods, be it sugar as in 1979-80 or pulses, edible oils etc. in 1980-81. Third, it points an accusing finger at the tendency of States to resort to large overdrafts. It also points a finger at the large revenue deficits of the Central Government. It says these must not be continued for long because of their expansionary impact. Fourth, it mentions – almost casually—that the rate of monetary expansion in 1980-81 (July-June) was appreciably higher than during 1979-80. And lastly—from the long-run point of view perhaps the most worrying feature – it points to the decline in the savings rate during 1980-81 to just 16.9 per cent.

The RBI feels that with oil from Assam becoming available once again, there will be some relief but not much. The improvement in industrial production and the rise in investment means that other imports will increase rapidly. In addition, price stability in the domestic market will necessitate large scale maintenance imports. Meanwhile, prospects for exports are hardly cheerful. As a result of lower investment income owing to continued pressure on reserves and some softening of international interest rates, the net invisible receipts will decline. The external payments situation during fiscal 1981-82 is therefore going to be worse than last year.

Equally worrying is the fiscal indiscipline of the State Governments. The tendency to take recourse to overdrafts from the Bank seems to have surfaced again. During 1979-80 overdrafts had declined considerably (following the introduction of the scheme of regulation of such overdrafts in October 1978). But since the beginning of 1980-81 many States started running overdrafts and the total outstanding amounted to nearly Rs 641 crores on June 26, 1981. In addition, there has been the revenue deficit in the Central Government's budget which has been made up in part by larger market borrowings. Gross market loans in the range of Rs 3,000 crores have gone up by 66 per cent since 1978-79 and form nearly 13 per cent of total receipts, taking the revenue and capital accounts together. The market for Government securities is horribly narrow, being restricted to banks and financial institutions which are forced to buy Government securities despite the ridiculously low rates of interest of six or seven per cent. This narrowness means a low absorptive capacity so that the Reserve Bank's holdings of Central Government securities have increased by astonishing amounts. As against the increase of Rs 407 crores in 1979-80 and just Rs 29 crores in 1978-79, the increase in 1980-81 was Rs 1,229 crores! Although the decline in foreign exchange reserves offsets – for the time being—the expansionary impact of all this, it should be obvious even to a first year student that such large deficits should be curtailed immediately.

Another related factor is the reversal in the trend of monetary expansion. In 1979-80 the rate of growth of money supply had declined appreciably compared to the previous tw
years. However, in July-June 1980-81, M_3 expanded at
rate of 18.8 per cent against the 15 per cent of 1979-80.
in the preceding year, the increase in net bank credit
Government was an important expansionary factor, being ab
Rs 872 crores more than 1979-80. Bank credit to the comm

cial sector also rose more sharply: by Rs 6,373 crores (or 20.4 per cent) against Rs 3,919 crores (or 14.3 per cent) in 1979-80. Gross bank credit increased by 19.2 per cent (at Rs 4,260 crores) against 12.1 per cent (Rs 2,385 crores) in 1979-80.

And while all this was going on, savings had declined to less than 16.9 per cent of NNP compared to 20.1 per cent in 1978-79 and 17.1 per cent in 1979-80. Guess why? Because the savings ratio of the public sector declined from 3.2 per cent in 1979-80 to just 2.5 per cent in 1980-81. The corporate sector and the household sector showed very marginal increases, There was a silver-lining, though: the investment ratio was higher (at 19 per cent) than in 1979-80 (17.6 per cent). And better still, this was probably due to fixed asset formation rather than additions to inventory.

Requiem for Sadat

THERE is still an aura of mystery surrounding the assassination of Mr Anwar Sadat. Several days after his death, the Egyptian Government announced that the murder was the handiwork of Muslim fanatics. This will not quell suspicions that other agencies and countries might have had a hand in the deed. There was jubilant celebration on Mr Sadat's assassination in Libya, Syria, and the PLO. The Soviet Union must be happy to see the end of the man who kicked it out of its traditional stamping ground.

Some people would like to see the assassination as inevitable, as an inescapable result of his determination to seek peace with Israel at the expense of the Palestinians, or of his decision to crack down on all opponents at home such as fanatic Muslims. This theory will not wash. There is murder afoot the world over, and it is not confined to those who betray a cause or crack down on political foes. There have been attempts to kill the Pope, President Reagan, and (just possibly) Mrs Gandhi this year. In this day and age, no top politician really enjoys total security. And merely acting in conformity with others is no guarantee of safety. Every courageous man who breaks new ground is going to raise a political furore and run risks that are more than just political. But this is no reason for cowardice. Mr Sadat is dead, but the chances are that the ideas he stood for will live on. His successor, Mr Hosni Mubarak, has pledged to continue to strive for peace with Israel. He will seek closer ties with other Arab nations, and would be well advised to tone down the strident anti-Russian stance of Mr Sadat. Since he had not personally antagonised either fellow Arabs or Russia, it will be easier for them to forgive Mr Mubarak than Mr Sadat. This in turn could lay the foundation for a true peace accord in the Middle East. Mr Sadat had long been a progressive force in the interests of peace. But, paradoxically, his death may be an even more progressive force, if it enables Mr Mubarak to mend his fences with neighbours.

Peace in the Middle East requires two things—a guarantee of Israel's security and a homeland for the Palestinians. This is now recognised from Washington to Vladivostok. It has not been recognised by either Israel or the PLO. And until they recognise it, there can be no peace. President Sadat's main reason for seeking peace with Israel was to regain territories lost in two wars. But more important for the world was that he was willing in return to guarantee Israel's security. This was the first substantial step towards meeting one of the two conditions for a permanent peace.

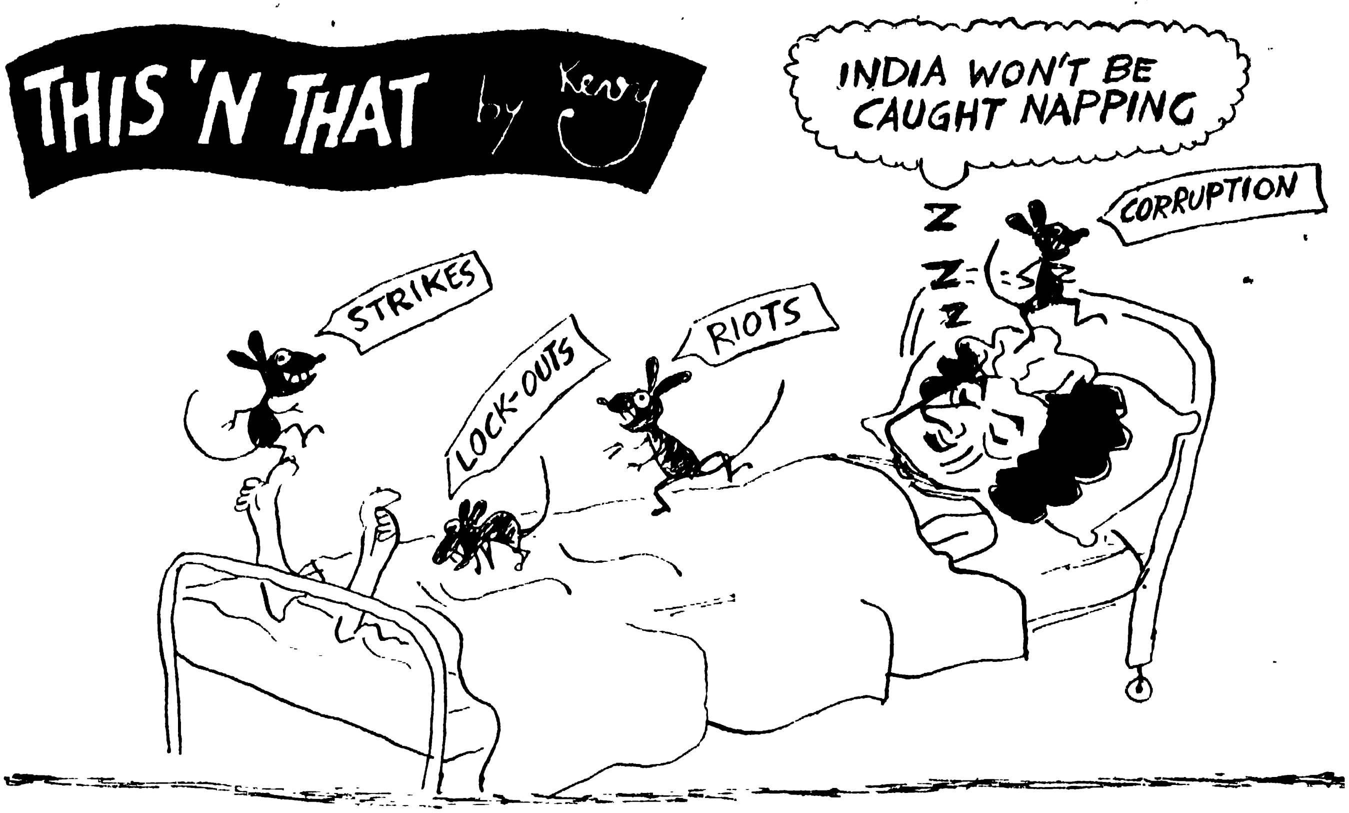
Mr Sadat's move earned him the wrath of fellow Arabs, who formed the Rejectionist Front. Not even this adverse development was without its positive consequences. It helped to convince an Israel that badly needed convincing that Mr Sadat was really serious about peace. There were originally doubts whether the phased programme for Israel's withdrawal from the Sinai would ever be completed. It now looks certain to go through, thanks to the positive approach of Mr Sadat as well as the negative reaction of the Rejectionist Front.

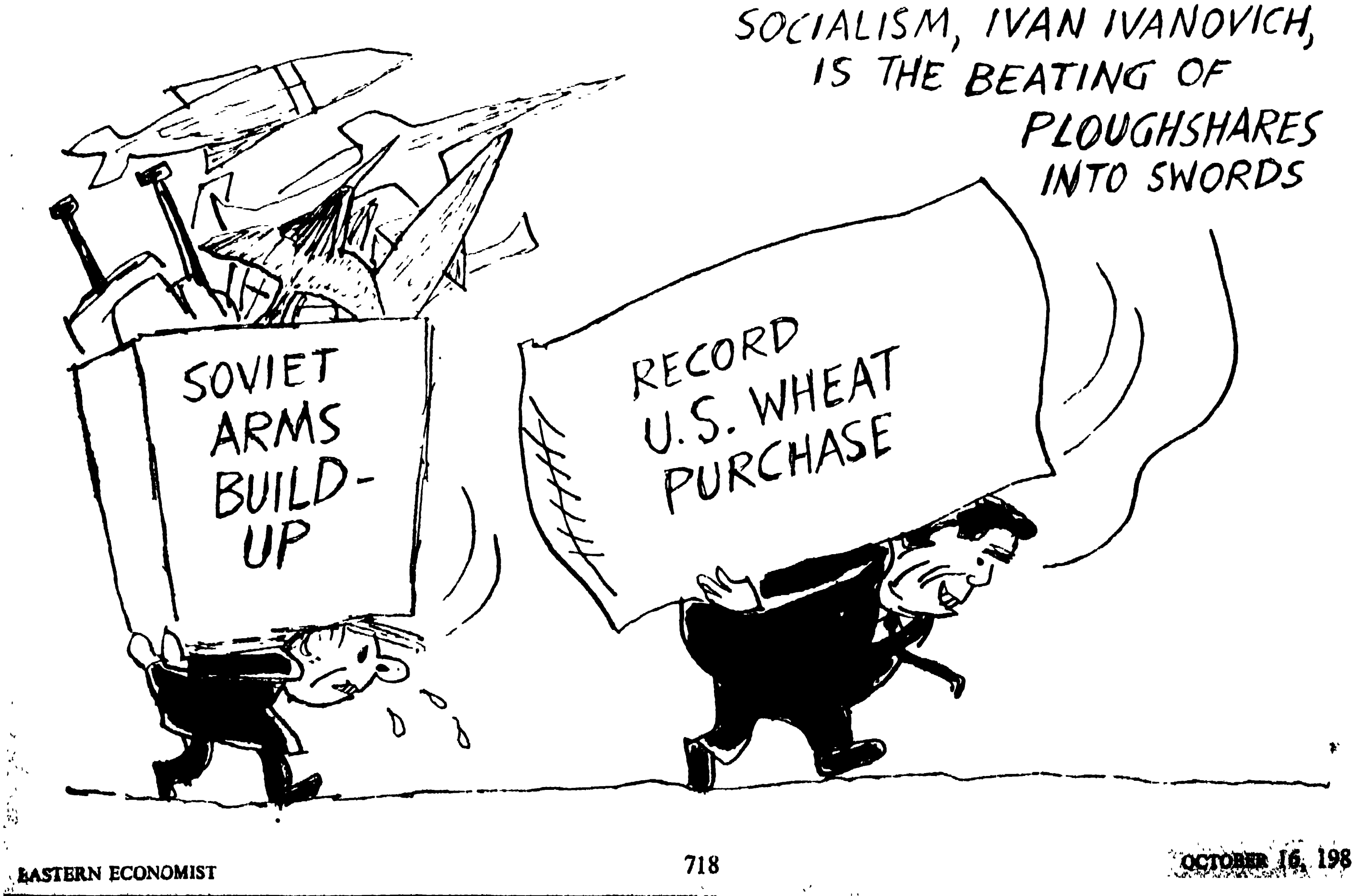
The next step involves greater acceptance of Israel's need for guaranteed security. It is worth noting that two ex-Presidents of the USA, Mr Gerald Ford and Mr Jimmy Carter, claim that in personal conversations they have come across widespread acceptance of the Camp David accord even in hostile Arab capitals. This means that Mr Sadat did not live (or die) in vain.

What is badly needed now is a more positive attitude from Israel. Mr Menachem Begin can only be described as expansionist in his policy of creating new Jewish settlements in Arab areas. This can only make it more difficult than ever for the Arabs to accept Israel's bona fides, if indeed it has any at this time. Mr Hosni Mubarak would be in his rights to demand much more American pressure on Israel in return for continuing with his policy of friendship with the USA.

The PLO has not shown any change of heart either. It remains opposed to the very concept of Israel. But the PLO itself is dependent on the pleasure of other Arabs. If Israel can be persuaded to accept a Palestinian State in return for security guarantees, other Arab States could push the PLO into acceptance too. That remains a very big if today. But Mr Sadat has already shown that the seemingly impossible can be converted by statesmanship into hard reality.

THIS 'N THAT by Kenny




SOCIALISM, IVAN IVANOVICH, IS THE BEATING OF PLOUGHSHARES INTO SWORDS
SOVIET ARMS BUILD-UP
RECORD U.S. WHEAT PURCHASE

Indirect Taxes : Some Issues

P. Chattopadhyay

THOUGH THE number and variety and the impact and levying authorities have multiplied almost at the rate of Indian population, indirect taxes and their incidence on either cost of production or on cost of sales have all along remained a matter of guess even for purposes of policy. There are umpteen policy issues involved in the levy of indirect taxes of many different varieties and by a multitude of authorities starting from the Central Government to the village level authorities empowered to levy such taxes in differeut ways, partly legal and partly administrative. Indeed, it bears repetition that this tribe of indirect taxes has shown growth propensities equalled only by that of Indian population. The magnitude of collections under these tax-heads has also varied both quantitatively and qualitatively as between these taxes and direct taxes and individual indirect taxes *inter se*. The result of these propensities has been telling not only on the Indian economy but also on the prices of goods for domestic and foreign sales in several ways.

Objectives Forgotten

In most countries of the world, direct taxes have been the preponderent ones vis-a-vis indirect taxes. In most industrially advanced countries of the West and also Japan in the East, the relative proportion of direct to indirect taxation is almost 80 per cent to 20 per cent. The position is just the contrary in India. The indirect taxes are preponderant to the extent of accounting for 80 per cent of the total revenue collections of the State and its verious agencies. We have been told that this peculiarity is because of the economic policies of the Government. And indeed there are many economic policies involved in the levy of individual indirect taxes. Some differentiate between domestic and foreign consumption, some between imports and exports and some others between U-sector consumption and commoners' consumption. The objectives behind the individual taxes have remained conveniently forgotten in the cases of several of them, particularly when the import and export policies have undergone sea-change, domestic availability has become the key factor and export prices have either shot up or slid down.

Dual Purpose

In certain cases, we are told that excessive indirect taxes are designed to discourage consumption of particular items and withdrawal of such taxes to encourage internal consumption of such items. During the last thirty years, the entire picture of taxation has provided an intricate pattern not only catching the innocent unawares but also baffling the so-called experts on all sides. Short term palliatives and frequent changes, apart from an apparent overcrowding of authorities empowered to levy such taxes, have made the whole issue an impossible situation. To think that there exists the maxim, *ignorantia juris non-excusant*, it is much more than a mere problem with which the common man has to deal as a part of normal living hazards, eating into his vitals.

The total tax revenue collected by Central, State and local Governments was of the order of only Rs 774 crore in 1951-52, of which direct taxes comprised Rs 243 crore and indirect taxes Rs 531 crore, working to a proportion of 31.40 and 68.60 per cent respectively. The direct taxes had grown to Rs 1,043 crore in 1969-70 and to Rs 2,625 crore in 1976-77. The upward trend in the cases of both has continued since then. The indirect taxes recorded a galloping rise to an amount of Rs 3,353 crore in 1969-70 and of Rs 9,418 crore in 1976-77. The relative rate of rise has been of the order of 1080.25 per cent in the case of direct taxes and 1773.63 per cent in the case of indirect taxes. The same trend continued unabated in 1977-78 when the proportion of direct to indirect taxes was 20:80. That this trend more or less remained the same during the subsequent years, for 1978-79, 1979-80 and 1980-81, is apparen from the fact that of the total tax receipt in actual accounts for 1978-79 of Rs 15,491 crore, taxes on commodities and service accounted for Rs 12,294 crore and taxe on income and property Rs 3,197 crore.

In 1979-80, according to revised estimates, the total tax receipts came to Rs 17,11 crore, of which taxes on commodities an services were Rs 1,3743 crore and o income and property Rs 3,373 crore. Ta receipts touched a new high in 1980-8 according to the budget estimates for th year coming to Rs 18,666 crore, of whic taxes on commodities and services cam to Rs 14,856 crore and taxes on incom and property Rs 3810 crore. Thus, i 1979-80 there was a positive percentag variation of 10.5 in total tax receipts, 11 in taxes on commodities and services an 5.5 on that on income and property. Th percentage variation over the previou year in 1980-81 was of 9.1 in total ta receipts, 8.1 in taxes on commodities an services and 13.0 on income and property.

Profession Vs Practice

The proportion of direct to indirec taxes during these years hovered roun 20:80 underlining a growing preponderance of indirect taxes. Indeed, this preponderance of indirect taxes has come i direct contrast to some of the state policies of the Government, particularl with reference to establishing soci justice and economic equity, especiall among the lower income groups as again the higher income brackets. The fisca policies adopted by the Governmen during all these years thus run counter t some of the stated purposes, and no infrequontly have become guilty of patch work approaches rather than a tota rational approach to the question. In thi regard, one may also look askance at th fundamentals of disproportionality a between indirect and direct taxes.

Despite Government's stated intentions there are several commodities that are consumed by people of lower group on whic incidence of these taxes is substantial. O the top of these if we expect the relatively poorer people to come up, we have to provide for their consuming certain items of manufactured goods which carry a high incidence of indirect taxes. On the other hand, the standards of equity are better served when the direct taxes are higher in proporation to indirect taxes, albiet the fact that even direct taxpayers bear the burden of these indirect taxes in addition to the direct taxes on their direct income. In this regard, Government have continued to beat about the bush. Government have underlined the objective that while framing the measures in regard to indirect taxes a major purpose has been that additional mobilisation to the extent that it is inescapable should be done in such a way as not to enhance the burden on any commodity significantly. On the other hand, it has been considered desirable to encourage the small-scale segment of industry, assist industries with significant employment and export potential through suitable adjustments of duty structure and reduce or totally remove the duty burden on some articles of common consumption. The circumstances actually prevailing in the economy during the last couple of years have very largely belied these expectations.

Role Reversal

While one understands the need for funds for financing the plans from the points of view of the Centre, the States and the local Governments, as also the need for mopping up the excess money supply in the economy in the process of what has been called pump priming, the ideals of social justice and eradication of poverty have not found shape at least in the taxation policies, particularly those related to indirect taxes. Emphasis on the need to remove disparities in income and wealth and stress on the role of direct taxation in fulfilling it have come rather late in the day. As a redistributive mechanism, direct taxes have a more prominent role than indirect taxes. Particularly to fall in line with the fiscal policies and practices in the developed countries of the West and Japan, it has already become an imperative that there occurred a role-reversal of direct and indirect taxes. This is, however, not free from problems. Direct taxes, to say the least, had a smaller coverage, a majority of the people almost all the time remaining out of the purview of these taxes. This is in direct contrast with the situation in Britain, West Germany and the United States where 37.5 per cent, 38.3 per cent and 60.4 per cent of the population respectivily paid income tax. In India, it was less than one per cent.

Commodity Taxes

The guiding principles behind the preponderance of indirect taxes are, first of all, commodity taxes cast the net wider for mopping up excess funds made available with people through increasing public expenditure, growing employment and rising income of the people; second, commodity taxes are an effective source of revenue from the point of view of different authorities empowered to levy such taxes; third, commodity taxes can better discriminate among commodities, products and services which are available in the country in abundance, are in short supply, should be exported and so require fiscal curbs on increasing consumption, are meant for mass consumption, and are essentially U-sector consumables requiring discouragement against domestic consumption; fourthly, commodity taxes can more effective distinguish between different types of imports depending on the priorities assigned to materials, intermediate goods and machinery for different types of industries with reference to boosting production for domestic consumption and export and/or import substitution; and lastly, commodity taxes being levied by various authorities have better responded to their requirements and these authorities have not had to depend entirely on the Centre and the States, in respective cases, for augmentation of revenue with reference to their needs.

However if one considered the implications that these taxes had on both costs and prices of the commodities concerned and on the administration for levying these taxes and guiding and regulating the collection of revenue under these taxes, one would be struck by the high magnitude of spurious activity generated in the process. There are several commodities subjected to such levies of indirect taxes at multiple points and by different aurhorities resulting in a price push of these items and cost push when these are used in production. The end result of this process is that there is hardly any manufactured or processed item in the country that has escaped a total indirect tax incidence of at least 60 per cent of the total price, often 70 per cent and going much higher in respect of certain specific items manufactured. In major part, the incidence of these taxes remains unidentifiable. Barring some of the Central taxes like customs duty, excise duty, Central sales tax, etc., most of the other taxes require intricate calculation for finding out their incidence on costs of prices.

Unsung Effort

This is one of the reasons why perhaps such incidence has remained unsung. Such efforts have also been few and far between. In this respect, the attempts by the Union Ministry of Finance have been rather aggregative in approach, blunt in the methodogy adopted and somewhat off the track, rather than pinpointed and matter of fact. But these are the only organised attempts in this behalf. In their study on The Incidence of Indirect Taxation in India (1973-74), Dr Raja J. Chelliah and Dr R.N. Lal have sought to measure the incidence of indirect taxes by way of expressing the money burden of such taxes as a percentage of the money income of the individuals or groups concerned (Cf. The *Incidence of Indirect Taxation in India.* 1973-74, National Institute of Public Finance and Policy, New Delhi, 1978), limiting their focus on the money burden of indirect taxes levied only by the Central and State Governments measured as equivalent to tax revenues collected from the non-Government sector, taken to include, apart from households and private business, departmental and non-departmental undertakings. Referring to the studies by the Ministry of Finance, Government of India, covering 1958-59 and 1963-64, the authors have underlined the incidence of indirect tax as percentage of total expenditure with reference to rural and urban sectors.

While overtly seeking to extend the Finance Ministry's studies of earlier years, the conclusions arrived at by the authors are blurred by several other inadequacies. Technically a more sensitive methodology would have included commodity ranges to signify the incidence of indirect taxes in total cost of production, total cost of sales and selling prices, disaggregating commodity ranges meant for rural and urban consumption, perhaps further classifying these commodity ranges into necessaries, semi-necessaries and U-sector consumption. Aggregation of expenditure, cash or otherwise, would not indicate the real nature of the incidence, particularly because of the inclusion of food items which are excluded till now from the clutches of indirect taxation. The conclusions arrived at by these studies are hardly indicative of the real policy imperatives especially with reference to the price push caused. Several other issues are also involved in this such as encouragement and discouragement of consumption of particular items, rural-urban differentiation, high income-low income differentiation, industrial products and intermediates, etc. All these issues are now sidetracked by several factors often contradictory to each other.

Jerks and Jolts

On several occasions, the wrong end of the stick has been subject to jerks and jolts, unnecessarily bringing in complications which are avoidable. For instance, is it essential to have a unified taxation system for commodities when different authorities are expected to raise funds for paying their way? Answer to this question is anything but straight. However, repeatedly we have perhaps committed the mistake of seeking to unify an essentially diverse system of indirect taxation. On the other hand, once the incidence of these taxes is easily determinable, much of the problems created by heterogeneity of rates, items and levies could be acceptably avoided. In the light of Jha Committee recommendations, introduction of MANVAT is proposed on the basis of such unification. Disagreements are thus inherent in the introduction of the proposed system and an otherwise good idea may not be implemented because States are not enthused by the idea of unification of indirect taxes, when these taxes are about the only source of raising revenue apart from the share of taxes collected by the Centre and dispensed to the States according to the Finance Commission recommendations. On the other hand, since exports are under the purview of the Centre, along with foreign exchange, once the total incidence of these taxes are determinable, refund of the entire incidence of these taxes would not be tantamount to subsidising. The question of subsidising exports would arise only when the Government dishes out funds when the commodities on their own are incapable of standing the ground.

Overt Subsidies

To add to the discomfiture created by ignorance of this incidence, nomenclatures like cash assistance, cash compensatory support, etc., and overt subsidies have created an impression that Indian exports, at least of those products and commodities entitled to such incentives, are not only subsidised but also dumped in foreign markets at throwaway prices. We have no mechanism to know at the moment the exact incidence unless the system of recording and accounting for these taxes is overhauled. The Economic Administration Reforms Commission can look into the matter for helping Government to clean up the Augean stable. That Indian industry is not inefficient and that given the opportunity Indian exporters can hold their own abroad are two significant consequences expected of such a probe.

It is thus necessary that the whole issue of commodity taxation was reconsidered in the light of the growing complications involved in the taxation system as such and of reducing such incidence in plausible cases. This would also imply that the taxable limits for income taxation be reduced and that at least necessaries are made relatively free of umpteen commodity taxes that they presently attract. The idea of pump priming has apparently fallen flat because we seem to be putting money in one place and searching for it in another. Unless the direct taxation system is made the preponderant source of State revenue, the price situation cannot be tackled as effectively as desired. High incidence of commodity taxes is overtly non-egalitarian, hitting as it does at the concept of social justice. It is essentially through the dragnet of indirect taxes that the poor has become poorer and the rich richer. In the context of the Sixth Five Year Plan, it is perhaps not entirely unrealistic or too much to expect that due consideration should be given to this aspect of the problem.

Basic Question

Commodity taxes also raise the basic question—Are high prices necessarily inflationary? Indeed the question has lot more than meets the eye in the context of computation of price indices and speeding up the vicious circle of more taxes, higher prices, more demand for higher wages and profit with a large number of leaking points going unnoticed most of the time. When price rises are in direct response to fiscal policies of the Government, to attribute all price rises to inflation would appear rather far-fetched, while high prices have eaten into the vitals of the lower income group to negate much of the so-called benefits that economic planning is supposed to have showered on these people. The problem is still not entirely out of hand but unless something is done urgently, Plan effort will figure more as a standing denial of Government's objectives than as a mechanism for fulfilling them. Fundamental issues are involved in all this. What is, therefore, required, albeit at this rather late hour of the day, is to begin at the beginning.

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Chief Executive

Backward Areas Development

T.T. Vijayaraghavan writes from Bombay

THE IDBI in its report on 'Development Banking in India 1979-80' just released points out how assistance from all-India financial institutions to projects in industrially backward areas has kept on increasing. The share of the backward areas in the total assistance sanctioned increased from 37 per cent (Rs 452 crores) in 1978-79 to 42 per cent (Rs 737 crores) in 1979-80. Cumulatively as at the end of March 1980, out of a total assistance aggregating to Rs 7903.5 crores sanctioned by the all-India institutions, nearly 36 per cent (Rs 2814.9 crores) has gone to projects in the backward areas, their share in the disbursement being about 34 per cent.

It may be recalled that the Planning Commission, in consultation with the State Governments and financial institutions, declared in 1970, 246 districts (as existing then) as industrially backward so as to be eligible for concessional finance from the all India financial institutions.

Central Subsidy

Out of these 246 districts, 101 districts (areas) were selected on the basis of six districts (areas) for industrially backward States and three districts (areas) for other States to qualify for Central investment subsidy equivalent to 15 per cent of the fixed assets subject to a maximum of Rs 15 lakhs. Since the inception of the scheme till the end of March 1980 an amount of Rs 69 crores has been disbursed as Central subsidy for the industrial units which have come up in these districts. In terms of financial sanctions and disbursement, the performance has no doubt been impressive. But it is doubtful whether the impact has been perceptible.

Addressing a conference of State Industries Ministers recently, Mr N.D. Tiwari, Union Minister for Industry, pointed out that the development of backward areas must subserve three objectives, namely, dispersal of industries, diffusion of entrepreneurship and generation of employment and income to local population. Laudable objectives no doubt, but the question is what progress has been made in pursuing them. Some gain, it can be conceded, has been made in the dispersal of industries in some areas. But in the main objective of generation of employment and income to the local population we have apparently still to go a long way. There are at least two reasons. One is that investment has been mainly in capital intensive industries. The concessions extended to backward areas, both fiscal and financial, are based on the capital employed and capital intensity of the project without taking into account the generation of employment, more particularly the local population. Reliefs extended with regard to interest rates and the underwriting charges of the all-India financial institutions are based on the amount of funds borrowed. This would obviously depend on the capital employed on the project. Since norms with regard to promotor's contribution and debt-equity ratio are also relaxed in respect of these units, the amount of funds borrowed from external sources is relatively higher than what would have been under normal circumstances. This has the effect of increasing the subsidy in terms of financial charges. Similar has been the case with fiscal concessions.

There is another aspect. Areas are notified as "backward" in consultation with the State Governments. In order to attract entrepreneurs, they generally manage to get many areas notified as 'backward' though strictly they are not so. Thus in many States, areas in the periphery of State capitals or the metropolis have been notified as backward. Mr Tiwari himself has admitted at the Industry Ministers' meeting that the State Governments did not apply for licences in areas which are still backward and are selective in recommending areas considered best available locations. He, therefore, suggested that State Governments should become more location specific while recommending private sector applications for licensing industries in backward areas. Only then could all backward areas be possibly covered within a reasonable time-frame. The scheme has been in operation now for the last 10 years. Still areas which have benefited continue to be called 'backward'. A review is therefore called for. At least on an experimental basis steps should be taken for providing incentives on the basis of criteria other than capital intensity.

Timely Report

In this context, the evaluation report made by the National Committee on the Government's policy on the Development of Backward Areas should be deemed timely. It says that the benefits of Central investment subsidy and concessional finance have gone to the districts, the bulk of them being in States and Union Territories which were not classified as industrially backward. These benefits have accrued to a small number of districts, mostly in the West and South which are also in close proximity to relatively developed industrial centres. The Government, the committee has underlined, has always evinced interest in encouraging industrialisation of backward areas. "However", the report says, "many of the promising approaches towards dispersal of industries have not in fact been pursued." Neither on population nor on area basis did the backward districts get as much of the finance from all-India term-lending institutions as non-backward districts.

The report says that skilled labour

was often drawn from outside the district. So also, entrepreneurship for medium and large units generally comes from outside the area. With few exceptions, the industrial estates programme has not helped to re-locate industries away from developed areas to new centres.

The requirement of industrial dispersal will be better met, the committee has observed, if the coverage of the Central subsidy scheme is modified so that it is applicable only to areas which are not near existing industrial centres. Equally important, it underlines that District Industries Centre (DIC) concept, suitably modified, is the correct answer for an umbrella organisation to meet the most important requirements of small industries—market intelligence and marketing aids, help in getting through various, controls, raw material supply and easily accessible common service facilities. This programme, launched by the Janata Government, was meant essentially to serve as a catalyst for industrialisation of backward areas. It is a pity that the programme which has great potentialities has not received the same attention from the present Government.

Who Neglects Eastern Region ?

THE MEETING of State Industry Ministers, held in New Delhi on October 1, was called specifically to discuss the recommendations of the Sivaraman Committee on industrial dispersal and to consider in what respects they needed modification. The Union Minister for Industry and Labour, Mr N.D. Tiwari, presided over the meeting which was attended by three Chief Ministers and 20 State Ministers. But from the reports of its proceedings published in newspapers, it appeared that Industry Ministers from the Eastern Region did not take an active part in the discussion. Ministers from Tamil Nadu, Andhra Pradesh, Rajasthan, Madhya Pradesh and Punjab made many constructive suggestions to speed up the development of the backward areas. Why did the Ministers from the States of the Eastern Region remain silent at the meeting ? In fact, one wonders if the Industry Ministers of West Bengal, Orissa and Bihar even took the trouble of attending it.

R. J. Venkateswaran writes from Calcutta

The Sivaraman Committee has recommended the formation of an industrial development authority with adequate administrative and financial powers in selected growth centres. It has also proposed several new criteria for the grant of Central subsidy and concessional finance. Mr Tiwari said that, while amending the Committee's report, it was essential to give due regard to the objectives of dispersal of industry, diffusion of entrepreneurship, and creation of more income for the local population. It remains to be seen to what extent the Government of India will be willing to modify the Committee's recommendations on the basis of the amendments proposed at this meeting. Meanwhile, the State Governments should heed Mr Tiwari's advice to take more energetic and systematic measures to accelerate the development of backward areas. He suggested that the State Governments should properly monitor the utilisation of letters of intent and licences and take other steps to create a climate congenial to the development and dispersal of industries.

The problem of industrial backwardness in the Eastern Region has been persisting in an acute form for a long time but unfortunately the State Governments concerned have not shown a keen interest in adopting an integrated approach. The absence of stable Ministries in most States in this region in the past had been a major factor in perpetuating industrial backwardness. It is therefore all the more regrettable that even when Ministries came to power with comfortable majorities, they have not been able to impart a strong stimulus to the growth of industry. In Bihar and Orissa the Ministries have been unable to concentrate attention on problems of development due to dissensions within the ruling party and the obstructive role of the opposition. West Bengal has the advantage of a strong and stable Government. Even then, it has done little to promote the growth of industries in the backward areas. The availability of basic facilities in regard to power, transport, communications, housing and water supply continues to be utterly inadequate in West Bengal as well as in other States of the Eastern Region. The infrastructure corporations set up in some of these States have done little to create the conditions necessary to attract new industries.

The West Bengal Government recently announced its decision to set up a committee of secretaries to monitor the progress of the industrial projects cleared for implementation. This committee is expected to remove the impediments arising from delays and differences which occur in various departments. But the committee will not be able to do much unless the State Government's approach to industrial development as a whole becomes more pragmatic.

Industrial Sickness

The Union Deputy Minister for Finance said in Calcutta on October 3 that the incidence of industrial sickness was the highest in West Bengal. He also observed that the number of mandays lost in industry due to strikes and lock-outs was the largest in West Bengal. It was over 3.6 million in this State compared to 2.5 million in Maharashtra. He wondered how the Government of West Bengal would be able to reduce the loss of mandays in view of its strong opposition to the Essential Services Maintenance Act.

It is clear therefore that the State Governments in the Eastern Region have to play a more positive role in promoting industrial dispersal and growth of entrepreneurship. They have been highly critical of New Delhi's indifference to the development of this region and have referred to several instances of discrimination in issuing industrial licences, allocating bank credit, distributing raw materials, implementing the purchase policy of Government Departments, and so on. There is, of course, some justification for these grievances and the Government of India should take early steps to rectify them in order to ensure balanced development of the various regions of the country. But it is mainly for the Governments of the Eastern States to take the major initiative in promoting the rapid growth of industry.

Two Ports or One ?

ON SEPTEMBER 29, the representatives of eight central trade unions met in Calcutta at a convention and passed a resolution, opposing the proposal of the Government of India to delink the Haldia dock complex from the Calcutta port. The convention which was sponsored jointly by the CITU, AITUC, UTUC, TUCC, BMS, HMS, HMP and INTUC(S), urged New Delhi to give a clear and definite assurance that the scheme would be dropped. It said that delinking of the two ports would severely affect the economy and foreign trade of the Eastern Region and that the interests of the workers in particular would suffer. It suggested that the Central Government should allot more cargo to the Calcutta port to enable the latter to make better use of its capacity. Further, the convention stressed the urgent need to improve the navigability of the Hooghly by ensuring that a minimum of 40,000 cusecs of head-water would be made available during the lean months. The Central Government was called upon to start negotiations with Bangladesh with a view to amending the agreement on the sharing of Ganga waters.

Whether New Delhi drops the delinking proposal or not, it is indeed encouraging to find that the central trade unions are taking a keen interest in the prosperity of the Calcutta port. It is hoped that the unions would continue to adopt a constructive attitude in dealing with the problems of the port. Hitherto, the unions were concerned more with raising the wages of the workers than with improving the viability of the port. It is, of course, essential to protect and promote the workers' interests but this should be done in a manner which would not affect the efficient operation of the port and its long-term interest. It may be recalled that in recent years on many occasions the working of the port was virtually paralysed for several days at a stretch because of the agitation carried on by some section or the other of workers. In 1979, for example, the labour situation in the port became so chaotic that it caused heavy loss to the shipping companies as well as to industry and trade. But what was more unfortunate was that it shook severely the confidence of exporters and importers in the port's ability to deliver the goods.

The convention regretted that the traffic of Calcutta port had drastically declined over a period of years and that even cargoes, originating in the hinterland of Calcutta port, were being diverted to other ports. It called for a national policy to be formulated for ensuring a fair distribution of cargo among the different ports of the country. Many factors are responsible for the fall in the volume of traffic handled by the Calcutta port, such as the changing character of our foreign trade, the high charges of the port, the lack of modernisation of its equipment, silting of the river and above all, frequent disruption caused by strikes and other forms of agitation. It is therefore essential to give proper attention to the solution of all these problems so that the port can once again play a prominent role in the country's economy,

Satisfactory Performance

The port's performance in the current year has been satisfactory in many respects. There is no congestion and there has been a larger flow of traffic. From April to August this year, the port handled 38.71 lakh tonnes compared to 37.24 lakh tonnes in the similar months of last year. The number of containers handled also increased from 5838 to 9000 during this period. The productivity of labour is also reported to have shown an improvement. The authorities concerned should take care to see that conditions in the port become better in all respects in the coming months.

Exports from the Eastern Region are expected to pick up substantially in the near future. The fiscal incentives given recently to the jute and tea industries will help them to augment their exports. The Engineering Export Promotion Council envisages a sharp increase in the export of capital goods of various kinds. The Calcutta port should be fully equipped to handle all the cargo offered for which it is necessary to implement expeditiously its modernisation programme.

Meanwhile, the Government of India should refrain from taking any hasty action regarding the delinking of Haldia from Calcutta. If, however, New Delhi is really convinced that delinking is in the interest of both the ports and the country at large, it should clearly state its case and secure the cooperation of the Government of West Bengal, the trade unions and the business organisations in implementing the scheme.

Madras Fertilizer's Record Performance

MADRAS FERTILIZER Ltd (MFL) has been a consistent good performer. It has been the largest producer of fertilizers in the country with a single plant operation. (The Indian Farmers Fertilizers Co-operative Limited produces more but it has plants in three locations.)

The year ended March 1981 was "the most glorious one" to quote Managing Director, Mr Joseph Kurian. MFL set up during the year records in production, sales and also in earnings. Production at a little over 706,000 tonnes was possible due to a 93 per cent capacity utilization in the ammonia, 99 per cent in the urea and 103 per cent in the NPK plants which speaks well for the high level of skills attained in maintenance and operations. The surging demand combined with the ability of the company to distribute the products through a judicious combination of rail and road transportation also helped it set up a record in sales of over 713,000 tonnes, valued at around Rs 152.8 crores enabling the company to net in a dizzy pre-tax profit of Rs 20.72 crores bettering the earlier record of Rs 18.3 crores, earned in 1978-79. MFL was liberal in declaring a dividend of 35 per cent in 1980-81. It might be recalled that for 1978-79 MFL made many people sit up by declaring a dividend of 50 per cent reminding one of the tooth paste and cosmetic companies of the US.

MFL is a company in the public sector—51 per cent of the shares are held by the Government of India and 24.5 per cent each by Amoco India, a subsidiary of Amoco International of USA and the National Iranian Oil Company. The plant has a capacity to produce per day 750 tonnes of ammonia, 885 tonnes of urea and 1800 tonnes of NPK granulated fertilizers. Set up at a modest cost of around Rs 67 crores in the late Sixties, MFL soon achieved a well deserved fame for its thrust on maintenance, production and marketing. A measure of this should be evident from the fact that it has been holding the record for safe operations among fertilizer companies in the world. On September 1, 1981 it achieved 15 million man hours (2396 mandays) of safe operations without any loss time accident.

S. Viswanathan writes from Madras

The company has also extended its expertise to other fertilizer units in India in their start up operations and maintenance. It acquired a prestigious management contract service from Sri Lanka for the start up operation and maintenance of a large urea project. The Managing Director, Mr Kurian, referred to the prospects of winning more such contracts. This marks the graduation into an arena which has been a closely held preserve of renowned fertilizer companies of developed countries. And there is also good money in it. Even in the first year, the contract helped MFL get a net income of nearly Rs 76 lakhs from Sri Lanka.

In a press conference recently convened by the company to announce its working results for 1980-81, there was understandable concern over the plateau which seems to have been reached by the company. In spite of the excellent performance there are no plans on hand for expanding the activities of MFL. The Iranian partner is understandably not in a mood to look to long term plans of expansion of the Indian fertilizer industry when conditions at home are so uncertain. Curiously enough the American partner complained that the returns on investments were not adequate. When it was pointed out that the dividend declared by MFL in recent years have been the envy of not merely companies in the public sector, but of even flourishing private sector units, the representative of Amoco on the MFL Board, Mr J.E. Allen, said that Amoco has not been extremely happy with the return on investment which he said worked out to less than eight per cent simple interest. Allen said they computed the project life as 10 to 15 years and the return has to be taken back within a short span. He said that investments in fertilizers involved high risks and Amoco expected a much higher return ranging between 30 to 50 per cent post-tax. Of course if this rate of return could be guaranteed, there will be real stampede for participation and Amoco may not perhaps have a chance!

Snags in Expansion

There are a few problems in regard to the expansion of MFL. Till recently the snag was the availability of the basic feedstock, naphtha. MFL has been almost fully utilizing the naphtha made available by Madras Refineries Ltd (MRL). With the clearance of the expansion of MRL's capacity, availability of naphtha will not be a constraint. But then the Government's feedstock policy gives a low priority for the use of naphtha for fertilizer production. And this is as it should be. In the scheme of priorities natural gas and coal have been listed. Unless the disposal of naphtha posed a problem as it could for an inland refinery, it will not be cleared as a feedstock. With a coastal location, it is considered more advantageous to sell the additional naphtha production of MRL rather than to use it for the production of fertilizers. Allen himself was in agreement with this order of priority. He conceded that naphtha as a rich hydrocarbon is a better feedstock for petrochemicals. But then MFL could also diversify into the production of petrochemicals as has been so successfully done by the Gujarat State Fertilizer Company. The hesitation here arises from the size of investments needed.

Fifteen years ago MFL could be constituted with a low equity base of just Rs 13.65 crores, with the share of Amoco and the National Iranian Oil Company each in the region of just around Rs 3 crores. Establishing facilities either for fertilizer production of comparable size or diversification into petrochemicals, involved investments in the region of Rs 500 crores which would require the contribution of each of the foreign partners to the equity by as much as Rs 25 crores or even more. Obviously they may not be too keen to invest such large amounts and also possibly wait for a long gestation.

A Weighty Question

There is also a more weighty question: with the success achieved by the country in establishing large fertilizer projects and petrochemical complexes on its own, it is perhaps not quite warranted to bring in foreign investments for setting up such projects.

All this cumulatively points to some uncertainty in clearing any expansion programme of MFL in the near future and it will be difficult for the company to maintain the records it had set up in 1980-81. In the first quarter of the current year, for instance, ammonia production dropped due to some equipment problems necessitating a shut down. MFL is also likely to face a more difficult cash management problem. It has fully liquidated the loan of $23 million obtained from the Chemical Bank, New York, as per schedule on January 1, 1981. But it may have to pay off the long term rupee loan of Rs 42.47 crores in October 1981. The company will also have to pay about Rs 24 crores as tax arrears and another Rs 6 crores towards the advance tax before December 1981. This can be done only by resorting to bank borrowings on a much larger scale than hitherto. It will mean as a consequence a large outgo by way of interest. But an alert management team which has so successfully managed the operations so far, may be expected to tide over these problems as well.

Window on the World

American Blitz on Fund Policies

V. Balasubramanian

WHETHER J. DE Larosiere, or A.W. Clausen opened a bottle of Dom Perignon '72 (duty-free) on the evening of October 2, I have not enquired. Both, of course, had cause to celebrate as they relaxed after the annual sessions of the International Monetary Fund and the World Bank with the Managing Director of the Fund perhaps having the greater reason. While the Reagan administration is threatening to mould both the Fund and the Bank in the image of Republican conservatism, the Treasury Secretary and his aides have been firing their broadsides most often and most directly at the lending programmes of the Fund as being too liberal and too lax in allowing access to developing countries. Larosiere in fact had good reason to feel that he personally was in the firing line when the US Treasury Secretary, Donald T. Regan, was making it a point, in the weeks before the annual session, to insist publicly on the Fund sticking to strict conditionality while providing balance-of-payments support to developing countries.

Regan's principal aide in these matters is Beryl Sprinkel, Under Secretary for Monetary Affairs in the Department of Treasury, a Chicago banker drafted for his monetarist beliefs and freemarket faith as an acolyte of Milton Friedman. It is widely believed here that it is due to Sprinkel's briefing that the Treasury Secretary has taken the extraordinary step of discussing in public the merits of the Indian loan proposal now with the Fund. While the Executive Director of a member-country certainly has the right to scrutinise loan proposals when they are put up before the board and cast his vote according to his judgment or instructions, officials speaking for the Government of a member-country do not normally question in public a loan proposal from another member-country when it is still being processed in the Fund.

Secretary Regan, however, had been freely expressing his Government's reservations on the Indian loan proposal in statements to the press both before the Fund-Bank session and during the session itself. He has characterised the proposed loan as "very large and very unusual", although has also conceded in the same breath that he has not seen even page one of the loan papers. Your correspondent had an opportunity at a press conference to ask Sir Geoffrey Howe, Britain's Chancellor of the Exchequer whether, in his view. it was proper for a public debate to be raised by one member country over a loan request from another member-country when it was being processed in the Fund. Sir Geoffery tactfully avoided a direct reply, but he said quite significantly that he expected the Indian loan proposal to be considered "sensibly and sympathetically".

Small Talk from Washington

Meanwhile there is much speculation here about the precise motivation for Secretary Regan's extraordinary behaviour. He has been saying repeatedly that the US would ask "a lot of questions" when the Indian loan proposal went before the Board. Let it, by all means. But, why is he thus serving notice in advance and so publicly ? One explanation, of course could be that he wants to make this project for a large loan a test of the Fund's willingness and ability to adhere to a policy of high conditionality which the Reagan administration has decided to insist on. If this is so, then, the US Government is clearly interfering improperly with the Fund's normal processes of considering a loan application in the light of the ruling guidelines and making its recommendations to its board for approval. A curious aspect of this behaviour is that Secretary Regan started showing his interest in the transaction publicly only after the Fund's staff is known to have virtually completed the processing of the terms of the loan in consultation with the officials of the Government of India. When I asked Managing Director Larosiere at his press conference at the end of the session whether the public disclosure by the US Secretary of the Treasury of his Government's intention to ask a lot of questions about the Indian loan proposal might influence the thinking in the Fund, he replied somewhat ambiguously that he would not be deterred from following normal Fund procedures by "reports and rumours".

Embarrassing Situation

The fact, however, remains that a potentially embarrassing situation is being created both for the Fund and for the Government of India by a course of behaviour on the part of the US Government which is also bound to be interpreted to the disadvantage of the Reagan administration. For instance, is American concern for adequate conditionality the only or the main reason ? Or, is there an intention to put India in the dock, so to speak, because its economic policies are not to the liking of Republican conservatism, or worse still, it is not considered to be particularly caring about Washington's perceptions of certain international issues or situa-

ations? Indeed, it is being freely suggested here that should the Indian loan application run into difficulties at the Board level as a result of Secretary Regan asking "a lot of questions", Indo-US relations, already at a low point, may take a further plunge, with no benefit to anybody.

Long Shadow

Although the Indian loan proposal naturally did not figure even indirectly in any committee proceedings or in the plenary session, it was obvious that its long shadow did fall on the discussions of the conditionality concept. The Americans, rather surprisingly, had shed some of their aggressiveness, presumably after sensing a distinct lack of enthusisasm on the part of other OECD countries for a blitz on Fund policies. Secretary Regan, in fact, apologetically told some American newsmen that he had been wrongly briefed—presumably by eager-beaver Under Secretary Sprinkel—on the Fund's guidelines on conditionality needing to be beefed up. The result was that Larosiere received a resounding vote of confidence, both in the report of the Fund's policymaking Interim Committee and in the speeches of several delegation leaders at the plenary sessions, for the way conditionality requirements were being implemented for securing the Fund's objectives in promoting external adjustment programmes on the part of borrowing countries. Better still, he was complimented by a wide spectrum of member-countries, industrial as well as developing, on the dynamic contribution which the Fund was making, especially through its enlarged access policy, towards assisting borrowing countries during a stressful period in international trade or capital flows.

The Fund and Larosiere however had much less success in warding off the American assualt on developing countries' demand for the continuing creation of SDRs beyond the third basic period ending on December 31, 1981. It was evident from the start that the developing countries' proposal that the allocation should be substantially increased for a fourth basic period from the current rate of four billion SDRs annually would not fly in this annual session since the UK, West Germany, Japan and even France were making common cause with the United States in opposing any further creation of SDRs at all. In the event, although the United States did not succeed in closing the doors against additional SDRs, it was able to get the entire issue remitted to the Interim Committee for further consideration over the next year. The only concession which the developing countries could extract was that the question of extending the present process of allocation of SDRs for a further period at least at the current rate should also be kept on the agenda when the larger issue is taken up for evolving a consensus.

Wrong Signals

The main thrust of the American argument against the creation of additional SDRs is that, as Beryl Sprinkel puts it, the international monetary system is "awash with cash" at present and that any further increase in international liquidity would send the wrong signal to national economic policies which must be primarily concerned with anti-inflationary goals. Secretary Regan has also explained that the American view is that SDRs are meant to grease the wheels of international trade which do not call for such lubrication these days. To create more SDRs, in these circumstances, would only lead to encouraging the IMF to branch out into development financing—a possibility which the Reagan administration shudders to contemplate. Rather interestingly, the Germans, who joined the Americans in opposing additional SDRs, however, do not seem to see anything wrong in a "development link". The Japanese, again, while agreeing with the Americans that additional SDRs are not needed at present, have nevertheless expressed concern over lack of enthusiasm on the part of industrial countries for further progress in making SDRs the main international reserve currency asset.

The Reagan administration is threatening a policy paper on its plans for remoulding the multilateral development banks. This document is expected to be published before the Cancun Summit. Meanwhile, it has been made abundantly clear that the American Government will seek to restrict access to concessional development financo to the poorest of the poor among the developing countries. This is the other side of the Reagan domestic programme of confining welfare programmes to "the needy poor". The US Treasury Department has already zeroed in on the IDA for federal savings. The pledged donation of $3.24 billion, in three equal annual instalments, to the current IDA-VI, is being stretched out, encouraging other countries also to cut their instalments pro rata. Consequently, the prospects are that IDA-VI may be in arrears to the extent of nearly six billion US dollars by the end of 1983, short by about half of its aimed budget of $12 billion and spilling hopefully over into an extra year. In these circumstances, the Reagan administration may at least claim the virtue of realism in refusing to discuss an IDA-VII as it has done.

Reality Recognised

However, the consensus has not been in favour of writing an obituary for the IDA concept. On the contrary, the industrial countries, including the United States, have recognised that concessional lending cannot be abandoned as a multilateral development assistance concept and the World Bank President, Clausen, himself seems to be steeling himself to fight not simply for an IDA-VII, but a large resources programme of up to $19 billion for a three-year period, which would help him to achieve an increase of about five per cent in real terms in the rate of concessional lending. He does not expect, of course, the IDA-donors to come up with larger contributions and his plan is to raise supplementary funds for an IDA-VII, in addition to the usual donations, by resorting to borrowing on concessional terms, presumably from Government sources.

More immediately, both the World Bank and the Fund are bound to come under steady and mounting American pressure to work with the international capital market and the free market economies in supplementing the availability of investment resources for developing economies. The adaptable Mr Clausen is already talking of using the "leverage" of the World Bank for stimulating additional flows of bank credit and investment capital to developing countries with sufficient credit rating in world financial markets. The direction of all these intentions will be to persuade and assist developing countries, especially those with private sector potentialities, to open up their development areas to both domestic and foreign private capital with the multilateral development institutions playing the role largely of a more or less honest broker. This may not be an altogether unhealthy development considering that some of the current prescriptions for growth, favoured in so many developing countrses, have not exactly led to much development or as much development as those countries may even minimally need.

OECD : Gloomy Prospects

THE IMMEDIATE outlook, (for the OECD), is complex and difficult with a protracted transition from recession to renewed growth, accompanied by inflation and unemployment which are too high, yet hard to reduce. These difficulties are being compounded by uncertainty in the money and exchange markets. Structural problems, too, are impeding a quick recovery.

The influences most immediately shaping the overall course of the OECD economy are : (a) the after-effects of the second oil shock, and (b) the macroeconomic policies adopted to meet it. The depreciation of European curriencies against the dollar is influencing the pattern of demand among OECD countries, as well as affecting inflation. Also important in contributing to the overall situation, however, are longer-term developments which, over the last decade or two, may have impaired the ability of OECD economies to adopt adequately to changing economic circumstances.

Forecasts are never certain. Particularly uncertain at the moment are the likely effects of high interest rates. Furthermore if, as frequently happens, the many assumptions underlying the forecasts are not realised, the future can look significantly different. The more important assumptions in the present projections include :

—no change in actual or announced policies;

—no change in exchange rates; and,

—no change in nominal oil prices till the end of 1981 and constant real prices thereafter.

On the basis of these and other key assumptions, the OECD economics could evolve broadly as follows over the next eighteen months.

Key Assumptions

The recovery in activity, which in December was expected to occur in the first half of 1981, now seems likely to be delayed by six month or more. OECD GNP may grow at perhaps only a little over one per cent (annual rate) this year, picking up to around three per cent in the second half of next year. There will probably be important differences between Europe, Japan and the United States. In Europe, partly because of important exchange rate changes and tighter monetary policy output in the bigger countries could decline by about one per cent this year, before growing by 7½ per cent in 1982, helped by a depreciation-assisted boost to exports. In Japan GNP may grow at about 3-3½ per cent until next year, when it could accelerate. The outlook for the United States is subject to more than usual uncertainty. The OECD forecast is that the recent buoyancy will give way to only modest growth, accelerating through the ½-2½ per cent range during 1982, with continuing high interest rates moderating the recovery. Should inflation slow more quickly than in this forecast, growth could be correspondingly more buoyant, particularly next year. Published forecasts from other sources range from growth rates below those of the OECD to relay growth for 1982 in the region of five per cent, which is the outcome foreseen by the United States.

Unemployment on these projections will rise in most countries throughout the next eighteen months, perhaps from the present rates of just under seven per cent of the labour force to nearly 7½ per cent, some 26 million people, by the second half of 1982. In Europe the rate could be over nine per cent. The unemployment rates of relatively disadvantaged groups will be even higher; youth unemployment in some European countrtes may even be 20 per cent.

The Outlook

As the oil price pulse and its subsequent price effects gradually dwindle, the annual rate of inflation should, on that count, drop progressively. Weak commodity prices, a quiescent oil market in coming months and moderating wage growth should assist this. Taking all the main factors into account, the outlook is for a progressive deceleration of OECD consumer price inflation, from a rate of around 10 per cent (annual rate) in the first half of this year to about 8½ per cent in the second of 1982. The divergence between countries is likely to be considerable : among the larger countries inflation in Germany could be around 3½ per cent in the latter part of next year whereas in Canada the rate could still be 10 per cent, and in Italy about 15 per cent And of the smaller countries, half seem likely to have double-digit inflation by the end of next year, while a few may succeed in bringing inflation down to around five per cent.

The 1981 current deficit for the OECD area should be lower than in 1980. Differential GNP growth rates, in combination with past movements in competitive positions, could lead to an increased dispersion of current account positions this year. Next year, however, as the lagged adjustment of trade volumes to the recent exchange rate changes becomes important, the dispersion of current account positions of major countries could narrow considerably. Germany, which now has the biggest current account deficit could well see a significant improvement. On present evidence none of the major countries seems likely to have a 1982 deficit much larger than $ 5

billion. The smaller OECD countries will take a bigger share of the area deficit—perhaps between $ 25 and $ 30 billion.

The Rat Scuttles Home on Automatic Pilot

How DOES the jerboa, or desert rat, always find the shortest way back to its lair ? Because it is master mathematician, say Munich behavioural research scientists.

It relies on a logical analysis of its previous movements and neither on sunlight nor on the force of gravity nor on the earth's magnetic field.

The desert rat is one of many animals for which the least mistake can prove fatal. When danger threatens they must head for home fast.

When a predator is around it must make it back to the lair even in the dark. The ability to do so posed a scientific problem that is currently being solved.

Much of the credit is due to research staff of the Max Planck Ethology Institute in Seewiesen, near Munich. More is due to the jerboa itself.

The Jerboa, Max Planck ethologists discovered, is a mammal that relies on not a single external pointer to guide it in its homing instinct.

No matter how many twists and turns the desert rat may have made on its expedition, it invariably finds the shortest route home.

And since it does not rely on sunlight or the earth's magnetism it must derive its spatial information from storage of its own movements.

Professor Horst Mittelstaedt and his Seewisen staff have taken a closer look at how this information is gained, processed and utilised.

Instead of looking for sensory or nervous cells they checked what information was gathered by the jerboa and how it must be processed, in terms of information theory and cybernetics, to account for the behaviour observed.

In other words, they were interested not in the anatomical, functional description of individual components but in the mathematical, logical principles on which the animal relied.

The jerboa was a most obliging, albeit involuntary, research associate. Both the male and female of the species instinctively rush their young back to the lair during breeding.

The Seewiesen scientists used a turntable 1.3 metres in diameter with 48 boltholes around its perimeter, only one of which led to the lair.

A young rat was taken from the lair and placed on the turntable. It was then promptly and efficiently retrieved by one or other of its parents.

This test, repeated time and again, unearthed two facts. In homing, the jerboa measures both the angle of its change of direction and the distance it has already covered.

Scientists surmise that the desert rat registers changes of direction via the inner ear. On bends, sensory hairs in the inner ear are felt to be stimulated by a fluid.

They are even vaguer as to how the jerboa keeps track of distance. May be it uses feelers in the joints or muscles or registers its number and length of paces.

Professor Mittelstaedt's staff drew up a mathematical model the jerboa must use unless it has even more roundabout ways of working out where it is.

It must work out the sine and cosine of every angle and continually add the two. The angle of each change of direction is expressed in terms of a rectangle, and the two sides are added together to make an ever larger rectangle.

When a hasty retreat is called for, all the jerboa has to do is to head back down the hypotenuse until the distance is covered. Then it is back home.

This ability is not limited to the desert rat. Professor Mittelstaedt and his staff have found it in spiders that can find their way home from strange webs without outside assistance.

The Seeweisen ethologists now feel it is a talent the jerboa may share with many other animals, including the geese studied by Konrad Lorenz.

Humans too, they suspect, use the sine-cosine model, unconsciously of course. But further experiments must be conducted to show whether this is the case.

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Point of View

Toning Up Employment Exchanges

Subhash J. Rele

Employment exchanges in India operate under severe constraints. They lack competence in recruiting personnel. There is an unlimited supply of unskilled and semi-skilled workers. Rural unemployed do not register themselves. The author makes suggestions which in his opinion would enable employment exchanges to better serve the community. He advises block level surveys assisted by revenue offices, gram sevaks and school teachers to quantify rural unemployment.

THERE IS much ambiguity in official thinking on the role of employment exchanges. Many misconceptions exist in the public mind. Many nurse the illusion that employment exchanges tackle the problem of unemployment. Many feel that they are the catalytic agents. Obviously, even in the broadest sense, employment exchanges cannot create jobs. Their role, even in a country where 40 to 50 millions are unemployed, will continue to remain limited. Employment exchanges are a help in reducing unemployment by facilitating contact between the employers and the employed but "the employment service itself is no panacea for manpower problems". They operate within the existing socio-economic framework. They can only direct the unemployed who are capable and available for work, but are unable to obtain suitable employment or jobs if available and notified.

There are 528 employment exchanges in India, with 12.14 million registered unemployed persons. Very few employers tap these exchanges for their manpower requirements. The number of registered jobless people has soared to a little over 12.14 million—an increase of about 18.7 per cent since April 1978, if employment exchange registers are any guide. The figure as on April 2, 1977, was 10.2 million. Of the 31 States and Union Territories, only Gujarat, Meghalaya and Goa have recorded a decline in registrations. West Bengal has the highest number of job-seekers, (1.96 million on September 2, 1978) an increase of 400,000 since April 1971, followed by Uttar Pradesh (1.36 million) and Bihar (1.3 million).

Although the number of unemployed persons registered at employment exchanges does not give a complete picture, it indicates the changing trends of unemployment.

Statistics about the role of employment exchanges are revealing. Only four out of every 100 job-seekers registered with the country's 528 employment exchanges were able to secure jobs in 1977, as compared with seven out of every 100 in 1970. The number of those jobless rose from 40.60 lakhs in 1970 to a stupendous figure of over one crore during these seven years. The number of jobs arranged by employment exchanges as a percentage of the number of applicants on the live registers fell from 11 per cent in 1970 to 9.9 per cent in 1971 to 7.4 per cent in the year 1972. The figure slid further to 6.8 per cent in 1973, 4.7 per cent in 1974, 4.3 per cent in 1975 and after rising erratically by two per cent in the next year, to 4.2 per cent in 1977. It is argued that the failure of employment exchanges to arrange jobs for the ever-increasing force of job-seekers is due to the lack of growth in the number of employers using their services, despite a continuous expansion of the economy. It is also stated that the National Employment Service has failed to satisfy both employers and job seekers when employers are willing to take advantage of the exchanges; it has been their sad experience that in most cases the right type of candidates are not available from them and they are unable to supply certain types of workmen like welders, reelers, fitters and powerhouse engineers. The efforts of the employment exchanges finding candidates to fill vacancies are confined to the live registers. But in a large number of cases suitable candidates are not available. The major reason why exchanges are not popular with employers is their inability to produce the right candidates.

Before we go into the various other contributory factors of the ineffectiveness of employment exchanges, let us see the historical antecedents of exchanges. Not many know that employment exchanges were conceived by the British Government in 1943 to meet the needs of personnel of war, and to remove corruption in recruitment. Employment exchanges were run on a voluntary basis and were meant only for technical personnel. The role was restricted, but later on employers and workers' associations favoured the formation of the agencies and so a few were established in the early Fifties. In 1956 their day-to-day administration was handed over to the State Governments.

Compulsory Notification

The Employment Exchange (Compulsory Notification of Vacancies) Act was passed in 1959, and came into effect on May 1, 1960. This act provides for the compulsory notification of certain categories of vacancies by employers to employment exchanges. Also employers have to inform employment exchanges their staff strength at regular intervals.

Full financial control was transferred to the States in 1969, following a decision to this effect by the National Development Council. Since then, the role of the Union Labour Ministry is confined to laying down national policy, and the procedures and standards to be implemented by the State Governments and Union Territories.

Since the charge of employment exchanges has been transferred to the States, a new problem has arisen. A number of State Governments have imposed restrictions on 'outsiders' in order to give preference to 'locals' or 'sons of the soil'. The State Governments of Assam, Gujarat, Maharashtra, Tamilnadu, Karnataka, Rajasthan, Bihar, Himachal Pradesh among others have imposed various restrictions on recruitment through employment exchanges.

Government Interest

From time to time, the Governments have shown an interest in improving the working of employment exchanges by appointing committees and even implementing some major recommendations of these committees. The first committee under the Chairmanship of B. Shiva Rao, in its report submitted in April 1954, made the following recommendations:

(i) The employment exchange organisation should be developed into a full-fledged national service, on a permanent footing, and with enlarged powers.

(ii) The subsidy paid by the Central Government to the employment exchanges should be continued but its amount should be restricted to 60 per cent of the expenditure on regional headquarters and employment exchanges in the States, subject to a maximum of the amount provided for in the budget for 1953-54 or the actual expenditure incurred during 1952-53.

(iii) The functions of the employment exchanges may be expanded by including maintenance of "good relations with the employers and employees' groups; soliciting and taking orders and subsequently following them through until placements are effected, supervising and assisting registrants, conducting the necessary tests, maintaining live files, renewals and revivals, selecting and referring suitable applicants to employers, and maintaining placement records, receiving orders in clearance, and referring such orders to the appropriate sections for selection and referral, placing orders in clearance and receiving applications thereon, collecting information regarding employment opportunities and making such information available, with a view to assisting workers seeking emplopers and employers seeking workers."

Employment exchanges operate under severe constraints and limitations. They lack competence in recruiting personnel since technical and administrative capability of a high order is required in utilising human resources effectively and economically. Employment exchanges have to compete with the traditional methods of recruitment. The expectation that employment exchanges will facilitate placement and recruitment impartially has not been achieved because the submission of applications is still made according to seniority in registration and not according to the merit of applicants.

Another problem is that at present there exists an unlimited supply of unskilled and semi-skilled workers. But for these categories of workers employment opportunities are not sufficient. So employment exchanges are helpless to assist these categories of workers in getting jobs. Since there is a shortage of professional and technical personnel, employment exchanges were not capable of recruiting the personnel. So the utility of employment exchanges is narrowed and they have been relegated to a secondary status as far as employers' organisations go.

Industrial employers have expressed the view that employment exchanges have failed to provide the right personnel for jobs as they do not have any facility or arrangement for trade testing. It has often been pointed out that the employment exchanges are late in submitting the names of the candidates; by the time the names are received the vacancies are filled from other sources. Another criticism often heard is that employment exchanges are not in a position to verify the accuracy of the information supplied by employment-seekers who are registered strictly on the strength of the personal statement made by the applicants.

One major drawback is that rural (illiterate) employment seekers do not register with employment exchanges. It is suggested that rural unemployment can be quantified through block-level surveys. The Estimates Committee of the Lok Sabha, in its twentieth report, said that it was necessary to entrust the collections of unemployment statistics at the level of the Panchayat, the municipality or any other unit of local self-government or revenue officer, assisted by local school teachers or gram-sevaks.

To overhaul and strengthen the entire apparatus of the employment exchanges, some years ago the Government appointed a panel under the Chairmanship of Mr P.O. Mathew. The panel made several valuable suggestions worth scrutiny. To improve the effectiveness of Central direction, the Panel urged the setting up of a separate Ministry of Manpower Planning and Employment at the Centre, together with the normal executive field staff or a Directorate-General, for a Statutory National Manpower Commission as in the UK which combines both executive and secretariat functions at Government level.

NOTICE

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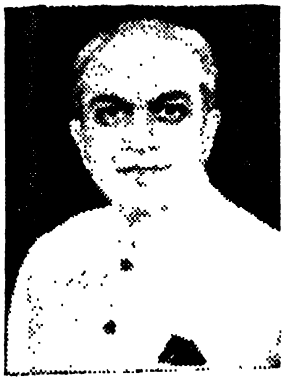
CHIEF EXECUTIVE

Nirlon Synthetic Fibres & Chemicals Ltd.



CHAIRMAN'S STATEMENT

The Statement of the Chairman, Shri Jaykrishna Harivallabhdas for the Annual General Meeting of the Company held on 29th September, 1981.

Ladies & Gentlemen :

It is with pleasure I am presenting to you the Annual Accounts and the Directors' Report reflecting the excellent performance of the Company. Your Company has shown all round achievement inspite of the various restraints operating on the economy of the country by inflationary pressures largely generated by a continuous increase in the petroleum prices by OPEC. The industrial production in our country was depressed by dearth of the infra-structural facilities. The Government pronounced various measures and relaxations on a number of policy decisions during the past one year to give a new thrust and direction to the economy, placing maximum emphasis on production. There are positive indications of the impact of these measures and we have to recognise that the supply of coal, power, transport, etc. have improved to some extent. Let us hope that recent pragmatic measures adopted by the Government will generate a better environment for industrial growth and steady progress.

Before I deal with the Company's performance in the past and the prospects for the future, let us pay homage to our Vice Chairman, late Shri Pramod Jhaveri, who passed away after a short illness on 1st March 1981. As you are aware, Shri Pramod Jhaveri was intimately associated with the Company as one of the promoters and was Managing Director of the Company for 18 years. His deep and sincere involvement in the achievement of phenomenal growth of the Company is well known. His confidence in the two present Managing Directors of the Company, when he retired, stood justified as could be seen from the performance of the Company during the last few years. Shri Jhaveri had accepted the invitation of the Board during the year to be the Vice Chairman of the Company. It was very unfortunate and sad that nature snatched away his services so prematurely. Let us pray that his soul may rest in peace.

Production and Turnover :

The Nylon Textile Division fully utilised the licenced and installed capacities. The production of the textile yarn division was 15% more than the licenced capacity. The production of nylon textile yarn during the year under review increased by 40%, as compared to the previous year. The production of polyester filament yarn, nylon tyrecord and fabrics also registered an increase of 14 %over the production during the previous year. Substantial increase in production has enabled the Company to face inflationary pressures and achieve a performance as reflected in the Annual Accounts of the Company. The turnover of the Company has also increased substantially, both in value and tonnage.

Our factory at Roha manufacturing Conveyor Belts and V-Belts has been working satisfactorily. Production of Conveyor Belts achieved full installed capacity and was higher by 45 per cent than the previous year. You will notice that the entire production has been sold and our products have been received very well by the consuming industry, such as steel plants, thermal power stations and other large public sector projects.

Bonus Shares :

At the last Annual General Meeting, I had assured that the Board will consider the proposal for issue of Bonus Shares at the appropriate time. The members of the Company will be happy to note the recommendation of the Board, to declare a Bonus Issue in the proportion of one equity share against two existing equity shares of the Company. The recommendation of Bonus Shares conforms to the recently issued new guidelines by the Central Government. I am sure that the shareholders will be happy to approve the Board's recommendations, after careful deliberations .

Expansion/Modernisation of the Industry:

Removal of poverty and generation of adequate employment coupled with technological and economical self reliance are major objectives set forth in the National Development Programme. This could only be achieved through substantial enhancement of manufacturing capacities and speeding up of industrial investments to enable manufacturing capacities to be positioned ahead of demand. This approach is bound to permit competitive market forces to operate and thus avoid sortage of commodities, which of late, have been seriously affecting the economy.

In keeping with this national objective, the Government has decided in favour of substantial increase in the capacities in the synthetic fibre industry, so as to supplement the clothing requirement of the country. We are expecting licences to be granted to individual units to enable them to meet economics of scale, culminating in goods being available at competitive prices. The Government should further complement their efforts and ensure speedy programme of modernisation and expansion at the textile mills level as well, so as to achieve the integrated objectives of the Government's textile policy.

You will notice from the Annual Accounts that the Company has spent more than Rs. 10 crores on the gross block inclusive of work-in-progress. Continuous improvements and modernisation are necessary for maintaining the progress and prosperity of any industrial undertaking and your Company cannot be an exception. The expenditure on the gross block is well reflected in the production targets already achieved. The Company has a proposal to significantly increase the manufacturing capacities of Nylon Polyester & Tyrecord Yarn. Government's approval on the expansion plans is expected shortly. To finance major modernisation and expansion projects, large investments are necessary. The Government has been striving to make large industrial houses rely increasingly on their own resources and capital market support. The Management has been actively considering a proposal to issue convertible debentures in the near future. As soon as the relevant proposals are formulated, the same will be submitted for your consideration.

Excise Duty:

The Excise Duty levies on Synthetic Yarn are more than 100% of the cost of production. There is urgent need for rationalisation of duties which could give growth to the industry so vitally needed for curbing inflation. The present high levy of excise duty warrants excise duty reduction linked with production. Let us hope that the Government will revive production-oriented incentives for reducing this heavy burden which causes great impediments to the growth of the industry. Revenue loss will be more than compensated by increase in production and expansion by the industry in the next couple of years.

Exports:

For more than past 15 years, your Company has been exporting merchandise. Exports are being made from time to time with a view to place the Company in an advantageous position in obtaining various approvals in addition to meeting the inevitable import requirements. The exports during the year under review, you will be happy to note, exceed Rs. 4 crores. This was the first year when the Company exported its own products viz. V-Belts. The Government policy for offering the benefits for exports has been changing from year to year. In order that your Company can take prompt advantage of the changes of the Government's incentive schemes, it has become necessary for your Company to assume necessary authority to select merchandise to be exported. Accordingly, the Management has placed before you Resolution for your approval.

Rural Development Service :

Poverty, unemployment, population explosion and lack of educational facilities in the rural areas are the problems which the community has to face in its desire to provide a reasonable prosperous and welfare state. The Management of your Company has also decided to participate in this important task. For this purpose, a separate Trust known as 'Nirlon Rural Development Charitable Trust' has been set-up. Your Company would be making efforts through this Trust for improving the economic condition in the rural areas from time to time.

Current Year's Operations :

The performance during the past four months has been considerably better than the corresponding period last year. Barring unforeseen circumstances, the Management hopes to improve upon the performance which is already achieved during the year under review.

Acknowledgements :

The relationship between the Management and the Employees continues to be very cordial. Your Directors take this opportunity to place on record their appreciation of the sincere work and co-operation extended by the staff and the workers in making the Company's operation highly successful as reflected in the Annual Accounts.

I would also like to take this opportunity of expressing my appreciation to the Financial Institutions, Banks and other agencies who have wholeheartedly supported us in furtherance of our objective by rendering very valuable assistance, support and help.

Before I conclude, I would like to place on record my deep appreciation of the valuable guidance, assistance and co-operation I have received from my colleagues on the Board of Directors.

Jaykrishna Harivallabhdas
Chairman

Registered Office :
Nirlon House
254-B, Dr. Annie Besant Road
Worli, Bombay-400 025

Note : This does not purport to be a record of the proceedings of the Annual General Meeting.

STATE OF THE ECONOMY

Increase in Coal Output

As A result of concerted efforts made by the Government, the coal sector has recorded a spectacular growth. During September 1981, coal production in the country registered an increase of 14.1 per cent over September last year. During the month, 9 22 million tonnes of coal was produced as against 8.08 million tonnes produced during the same month last year, marking an increase of 1.14 million tonnes. Higher production was recorded by all the coal companies in September 1981 over the corresponding month last year. Coal output in BCCL and CCL went up by 16 per cent each; WCL 10 per cent and ECL 8 per cent. The Singareni Collieries recorded an increase of 29.6 per cent in September over the corresponding month last year.

The cumulative production during the six months, April-September, 1981 also recorded an impressive increase of 9.8 per cent over the corresponding period last year. This is against the original growth rate target of 6.1 per cent for the whole year 1981-82 and the raised target of 8.8 per cent for the year. During these six months; 54.94 million tonnes of coal was produced as against 50.02 million tonnes produced during the corresponding period last year, marking an increase of 4.92 million tonnes. Here again a high growth rate was achieved by all the companies—BCCI recording an increase of 14.8 per cent; GCL 10.8 per cent; ECL 8.1 per cent and WCL 7.1 per cent. The production at Singareni Collieries went up by 8.7 per cent.

Another notable achievement for the coat sector, has been that the production of 54.94 million tonnes in April-September, 1981 was the highest ever achieved in a six month period, surpassing the previous best of 50.02 million tonnes in April-September 1980. The improved performance of the coal industry has been as a result of various steps initiated by the Ministry of Energy. These include. constant monitoring at the highest level, improvement in power supply, procurement of essential equipment, expediting land acquisition and improvement in law and order situation in the coal belt areas.

Wood and Timber Export

The Union Government has liberalised export policy relating to wood and timber in log and sawn forms as also teak wood. This decision had been taken to ensure that requirements of these items for executing projects abroad by Indian parties are fully met. It has, however, been made clear that only limited quantities would be allowed to be to imported for this purpose. This relaxation will only apply to project cases.

In the case of teak wood requests from West Asian countries were received from time to time for the supply of this item. Keeping this in view the Government has decided to permit export of 1,000 tonnes of teak wood on occasional intervals to these countries. The Government has also released an ad hoc quantity of 15,000 tonnes of bamboo for export from the north east region during the current financial year. Last year 25,000 tonnes of bamboo were permitted for export on first come first serve basis.

No Overtime in Nationalised Banks

Payments of overtime in banks should be stopped from next year. Making the statement, Mr Magan Bhai Barot, the Union Deputy Finance Minister stated that the Government was firm not to pay any premium for idleness. Whatever consequences no overtime payments will be made from 1982. Mr Barot pointed out that currently the banking sector was paying Rs 40 crores by way of over time every year. When scores of young educated people were unemployed, it was not proper to pay more and more overtime to those already employed. He observed that there was need for discipline in the banking sector and assured bank officials that the Government would fully back any move to curb or punish indiscipline. The Government was determined not to allow a handful of people paralyse the entire economy.

Mr Barot was talking to the members of the Indian Bankers' Association, Calcutta. He added that high bank officials would not be exposed to public criticism for their performance. In implementing various programmes like the differential interest rate schemes, their conduct might come in for criticism. But these would not be allowed to be decided on the streets. The Minister himself would examine the conduct. The Minister added that some disgruntled elements could criticise bank officials. He regretted that only negative aspects of the performance of banks were subsequently highlighted.

Shipping Company's Compensation Bonds

The outstanding balance of the 4½ per cent Jayanti Shipping Company (Acquisition of Shares) Compensation Bonds, 1981 are repayable at par on October 17, 1981 and no interest will accrue on them, as from that date. In the event of a holiday being declared on that date by any State Government under the Negotiable Instruments Act, 1881, the bonds will be repaid by the paying offices in that State on the previous working day. To facilitate repayment on the due date, holders of the above bonds may tender their securities at the Public Debt Offices, Treasuries or branches of State Bank of India or its subsidiary banks (at which they are enfaced/registered for payment of interest) on or after October 7, 1981. Full details of the procedure for receiving the discharge value of the bonds in question can be obtained from any of the aforesaid paying offices.

Fertilisers for Rabi

The Centre has taken steps to ensure that fertiliser consumption touches 41.61 lakh tonnes mark during rabi 1981-82. This will be almost 35 per cent more than the actual consumption of 33.78 lakh tonnes during last rabi. Availability of fertiliser during the current year is much larger than last year. The indigenous production has gone up by about 50 per cent. It was 10.41 lakh tonnes of nutrients during April-August, 1980. This year during the same period the production was 15.59 lakh tonnes. The import during February-August, 1981 was also higher at 28.92 lakh tonnes against 24.53 lakh tonnes last year.

The Secretary, Ministry of Agriculture, Mr S.P. Mukherjee, has had a series of meetings with the Gvvernments of Punjab, Haryana, Jammu & Kashmir, Himachal Pradesh, Uttar Pradesh, Madhya Pradesh and also with the Governor and Deputy Governor of Reserve Bank of India. As a result of the discussions, the Centre agreed to rush one lakh tonnes of diammonium phosphate to Punjab. With the Reserve Bank authorities the discussions centred on increasing credit for distribution agencies and farmers and reducing the rate of interest.

Mr Mukherjee also held

detailed discussions with the Chief Executives of the indigenous fertiliser manufacturers/handling agencies of imported fertilisers. At this meet it was agreed that : (a) The manufacturers would launch an intensive and extensive campaign for use of fertilisers in 65 districts which have been selected and which have the potential for increased consumption. (b) Extension work of the manufacturers will be reviewed by them and it will be intensified. (c) Adequate stocks will be made available by the farmers at the block level so that the farmers could get fertilisers in time. (d) Senior officers of the manufacturers will frequently visit distribution agencies and farmers. (e) The manufacturers will participate in the district level fertiliser review meetings to be taken by the District Magistrate/District Officers. (f) The State Government would be advised to revive the Coordination Committee under the Chairmanship of Agriculture Production Commissioner for monthly review of the fertiliser supply position. (g) Efforts will be made to build up the infrastructure at the nodal points where fertiliser rakes are handled. (h) Credit-cum-supply melas would be arranged in the interior.

The consumption of fertiliser during 1950-51 was only 0.70 lakh tonnes of nutrients. It increased to 7.73 lakh tonnes in 1964-65. With the introduction of High Yielding Variety of crops and favorable price situation, the consumption went up to 28.39 lakh tonnes in 1973-74. During 1974-75, there was a fall in the consumption by about 9.3 per cent. From 1975-76, the consumption went on increasing and in 1978-79, it reached 51.17 lakh tonnes of nutrients. During 1979-80, it suffered a set-back because of unprecedented drought in the country and the growth rate was only 2.7 per cent against the average growth rate of 19 per cent in the previous five yeaas. During 1980-81, the growth rate was 4.85 per cent.

Indo-Hungarian Trade

India and Hungary had a general review of bilateral trade and economic cooperation, and an assessment of potential for cooperation btween Indian and Hungarian economies, in the context of India's developmental plans, when the Hungarian Foreign Trade Minister, Mr Peter Veress visited India recently Mr Peter Veress arrived here on October 12, 1981, at the invitation of the Union Minister for Commerce, Steel & Mines and was accompanied by Mr Jonos Tormasi, Director-General and Dr Andras Gagatke, Deputy Director-General of the Hungarian Ministry of Foreign Trade.

The Hungarian Foreign Trade Minister had detailed discussions with the Union Commerce Minister on trade and economic collaboration between the two countries as a follow up of the discussion held with the Commerce Minister during his visit to Hungary in September last year. During his stay in India, the Hungarian Foreign Trade Minister also called on the Union Ministers of Energy, Industry and Communications to discus matters of mutual interest relating to economic and industrial cooperation in various fields.

Indo-Hungarian trade is conducted on multilateral basis with payments in free foreign exchange with effect from January 1, 1978. In 1979, India and Hungary had even balance of trade with each side exporting to the other goods worth Rs 110 million. India's main items of import from Hungary are steel and steel products, capital goods and machinery, drugs and pharmaceuticals, chemicals, photographic and cinematographic films, including roll films. The items of export from India to Hungary have mostly been de-oiled groundnut cakes, iron ore, jute good, pepper, coffee, hides

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and skins, medicinal and pharmaceutical products. However, the structure of India's exports to Hungary improved in 1979. The exports of traditional commodities have declined and those of non-traditional products substantially increased bringing the proporation of non-traditional commodities to almost 60 per cent in 1979. Several new items such as air compressors, machinery for the chemical industry, vacuum technology and certain kinds of electronic components are now being exported to Hungary.

Gas Struck in Tripura

Gas has been struck in the sixth well on the Baramura structure in Tripura. Drilling of this well had started on February 18 this year and till September 10 the well had been drilled down to a depth of 2,370 metres. After testing the interval between 2,276 to 2,288 metres, gas started flowing at the rate of 90,000 cubic metres per day through six-milimetric beam at 130 atmospheric pressure.

The Oil and Natural Gas Commission has been exploring for hydrocarbons in Tripura since 1972 and, so far, it has drilled six wells there. Gas was found in the first well on the Baramura structure in June 1975 but the subsequent drilling of four wells on the same structure was not successful due to severe difficulties encountered. The Commission, however, persisted in further exploration and has now, once again, succeeded in striking hydrocarbons in Baramura. Further tests are proposed to be carried out to assess the potential of the latest gas find.

Meanwhile, the ONGC is drilling wells on two other structures in Tripura- Gojalia and Rokhia. The Gojalia well is projected to a depth of 4,000 metres and the Rokhia well, being drilled along with a team of Russian experts, is projected to a depth of 5,000 metres. There have been a number of gas finds in the last few years, both onshore and offshore, the largest being the South Bassein gas field, which has substantial recoverable gas reserves.

In addition to South Bassein, gas has been found in other offshore structures like B-55 and South and Mid-Tapti. The total gas availability from these offshore fields is now estimated at about 20 to 25 million cubic metres per day. Gas has also been struck in two separate offshore structures in the Andamans islands and also off Porto Novo near Pondicherry. In the onshore areas, gas was discovered in the first well in Dahej in Gujarat. A second well is now being drilled there. Gas was also struck at Narsapur in Andhra Pradesh sometime ago and two further wells are being drilled.

Electronic Telex Exchanges

The Posts & Telegraphs Department is restructuring completely the telex network in the country with electronic technology. This will facilitate quicker and reliable transmission of telex messages. The department has already taken action to instal four large telex exchanges with a total capacity of 16,200 lines in the four metropolitan cities. The first electronic telex exchange in the country is expacted to be commissioned in Bombay in 1982. This will be followed by further installations at Delhi, Calcutta and Madras in 1983. The department hopes to extend the facility of electronic telex exchanges at several other centres in the country and plans in this respect are under examination.

These electronic telex exchanges will have the facility not only for local telex connections but also for transmitting the long distance telex calls. Together, with the introduction of electronic teleprinters, there will be a major improvement in the quality of telex services in this country. In addition to the installation of telex exchanges in the four metropolitan cities, the department has prepared a plan to provide six more medium electronic telex exchanges with a large number of smaller exchanges or concentrators. As for indigenous production of electronic teleprinters, the Government has already initiated action to set-up a factory at Hosur in Tamilnadu.

UP Thermal Power Station

The Planning Commission has approved the scheme for installing Anapara 'B' thermal power station in Mirzapur district of Uttar Pradesh. The project is estimated to cost Rs 416 crores. According to specifications, the project envisages installation of two 500 MW turbine generator sets with associated auxiliaries together with two boilers. Scope of work also includes marginal extension and suitable inter-connections of the coal handling plant, cooling water system, railway siding etc. which are also designed for three 210 and two 500 MW capacity to cater for the needs of the proposed unit of Anapara station. It also covers installation of water treatment plant, ash-handling plant, step-up stations, switchgear, DC facilities etc.

Power generation will be stepped up to 400 kV and fed into the 400 kV grid being created in the Singrauli-Cora thermal power complex. The project also envisages evacuation of power from Anapara existing lines to Rihand power station and Amarkantak by providing inter-connections through 400/130 kV auto transmission. The scheme is to be completed in four years.

Irrigation Schemes of Orissa Approved

The Planning Commission has approved two medium irrigation schemes of Orissa at a total estimated cost of Rs 18.17 crores. Of the two, the Kansbahal irrigation project envisages construction of an earthen dam near village Kadambahal in Sundergarh district of the State across Badajorenallah, tributary of Sankh river in Barahmani river basin, and canal system on either bank.

When completed, the project will irrigate 7640 hectares annually in Rajgangpur tehsil of Sundergarh district which is a tribal area and economically backward. The Upper Jonk Irrigation Project envisages construction of an earthen dam near village Patora in Kalahandi district of the State across Jonk river, a tributary of Mahanadi river. The canal system of either bank will irrigate an area of 13,890 hectares annually in Nawapada sub-division of Kalahandi district which is a chronically drought affected area and predominantly inhabited by Scheduled Castes and Tribes. The project will also provide water supply to nearby towns of Nawapada and Khariar Road.

Rubber Components Unit at Patiala

The Railways will soon have a rubber components manufacturing unit at Patiala for which the Lucknow based Research, Designs and Standards Organisation (RDSO) is being asked to prepare a project report. The decision was taken at the Railway General Managers' Conference ended recently, which also decided to optimise electric traction even if it meant some detours of traffic so as to conserve energy. In this context, a quick assessment of the total requirements of the electric locomotives will also be made.

It was felt that the new rules of running allowances should be fully explained to the staff so that they are able to optimise their operating gains instead of depending on overtime. The conference decided that payment of overtime should be strictly controlled and overtime control cells should be activated. The increase in staff on the Southern Railway in the last couple of years will be assessed by the Railway Board.

The General Managers

decided to exercise stringent control on working expenses. In no case, the capital expenditure on projects should be allowed to overrun. According to another decision, cash purchases of stores will be confined to only those items which are required for roller bearing stock and diesel and electric locomotives. Care would be taken to see that thefts and pilferage of railway stores are prevented. It was also decided to take stern action against employees indulging in indiscipline and violation of safety rules. The General Managers were told that they should not hesitate to take action against the office bearers of labour unions, if they indulged in indiscipline. In order to improve passenger services between corakhpur and Howrah, the conference has recommended that two new rakes of coaches, built by Integral Coach Factory, should be allotted to the Eastern Railway.

Economic Growth and Environment

Mr Pranab Mukherjee, Union Minister of Commerce, Steel & Mines, stressed the need for developing such developmental strategies which would help in harmonising economic growth with environment preservation. He said that primary task which India had undertaken in the course of its planned economic development was eradication of poverty He hoped that while going along this path, environmental maladjustments which arise on account of poverty would get corrected. Mr Mukherjee was inaugurating a seminar on Industrial Development and the Environment.

The Minister added that path of economic development and eradication of poverty pose further problems and threats

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FORM II-A

(See Rule 4A(1))

J. K. SYNTHETICS LTD.

NOTICE

It is hereby notified for the information of the public that J.K. Synthetics Limited proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi under sub-section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act, 1969, for approval for the establishment of a new undertaking for the production, supply, distribution or control of Acrylonitrile with an installed capacity of 24,000 tonnes per annum. Other particulars of the proposed new undertaking are as under:

(i) Name of the proposed undertaking	The new undertaking proposed will be a division of J.K. Synthetics Limited.
(ii) Name(s) of person(s) or authorities proposing to establish the new undertaking. Where it is a body corporate, furnish details of its management structure together with those of the proposed undertaking.	J.K. SYNTHETICS LIMITED Kamla Tower, Kanpur (a Public Limited Company managed by the Managing Director subject to superintendence and control of the Board of Directors).
(iii) Capital structure of the applicant person or authority and of the proposed undertaking.	**Authorized:**

Equity Shares:	
25000000 of Rs. 10/- each	Rs. 250000000
Preference Shares:	
100000 of Rs. 100/- each (9.5% cum. red. pref. shares).	10000000
300000 of Rs. 100/- each (11% cum. red. Pref. shares).	30000000
10000 of Rs. 100/- each (9.1% Cum. Red. Pref. shares).	1000000
90000 of Rs. 100/- each Unclassified shares.	9000000
	Rs. 300000000

Issued, Subscribed and Paid up:

Equity Shares:	
15066000 of Rs. 10/- each	Rs. 150660000
Preference Shares:	
75000 of Rs. 100/- each (9.5% Cum. Red. Pref. shares)	7500000
100000 of Rs. 100/- each (11% cum. red. pref. shares)	10000000
10000 of Rs. 100/- each (9.1% Cum. red. Pref. shares).	1000000
	Rs. 169160000

(iv) Proposed location of the undertaking.	Dist.Mathura, U.P.
(v) Brief outline of the cost of the project, the scheme and the source of finance:	(a) Estimated capital investment on the proposed project. Rs 26.42 crores towards land, building, plant and machinery. (b) **Source of finance:** This will be met through Rupee Loans from financial institutions/issue of debentures etc. and foreign exchange loans from International Agencies/Euro-Dollar Market/Suppliers' credit.

2. Any person interested in the matter may make a representation to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan. New Delhi, within 14 days from the date of publication of this notice, intimating his views on the proposal and indicating the nature of his interest therein.

For J.K. Synthetics Limited
(R.S. Bajpai)
Secretary

Registered Office:
Kamla Tower. Kanpur (U.P.)
Dated 12.10.1981.

for preserving environmental and ecological balance. As such, agricultural growth call for construction of irrigation and drainage systems, clearing forests and using fertilizers and pesticides, all of which could cause environmental damage. Similarly, he said, industrial growth results in release of pollutants and indiscriminate exploitation of non-renewable mineral and energy resources, unplanned urbanisation, all of which adversely affect our environment.

Mr Mukherjee emphasised that in our endeavour to have speedy economic growth, we should not completely ignore the environmental and ecological factors. While grwoth was necessary condition for development, the country had to ensure that the development that we attain was 'good development' and not 'bad development'. He said that good development could be identified on the basis of the impact it had on the quality of life of the people, coupled with removal of social inequalities. He added that India could not accept a two-stage strategy, namely growth first and social equality later and as repeatedly emphasised by its plans our aim had to be growth with re-distribution.

Growth with Equity

Mr Mukherjee said that environmentally sound developed strategies could not co-exist with unregulated inter-play of market forces. The normal system of working out commercial cost benefit of various investment decisions could not take into account the environmental costs and depletion allowance. Government intervention was, therefore, essential so that market forces were regulated in such a manner that investment was generated in these areas which do not irreversibly de-stabilise the ecological balance. He stressed that a more equitably access to resources was also another pre-condition of an environmentally sound strategy. As such, access to land and security of tenure, equitable distribution of fertilizers and other agricultural inputs to poor farmers were all factors which would help in arresting environmental degradation. The choice of environmentally sound appropriate technologies in the industrial sector is also crucial for harmonising growth with ecological balance. For each ecological, social and economic situation, appropriate technologies should be thought of and we should not blindly follow the path of adopting technologies which have been developed in different environmental and ecological situations,' he added.

Railways' Tourism Efforts

The Minister for Railways, Mr Kedar Panday, observed recently that a Railway Tourism Development Corporation and a Railway Catering Corporation should be set up quickly so that tremendous potential in tourism might be tapped and the railways were able to play a complementary role to India Tourism Development Corporation (ITDC) in this field. He felt that the railways could plan their own hotels also for this purpose.

Mr Panday was addressing the concluding session of the two-day conference of the General Managers of the Zonal Railways in New Delhi. The Minister of State for Railways, Mr Jaffar Sharief, and the Chairman and Members of the Railway Board were also present.

The Minister referred to the novel venture of "Palace on Wheels" to be started shortly and said that its performance would be watched with interest. He said that he proposed to extend this scheme to the Central, Southern and Western Railways also to cater for the requirements of the tourists. He asked the General Managers to have a feeling of involvement in such projects,

Referring to the previous meeting of the General Managers, which was held in June last, Mr Panday said that many forward steps had been taken since then, but there had been some setbacks also in this onward march. There was satisfaction all over the country at the way Railways had carried coal, fertilizers, foodgrains, and petroleum and steel products to the consumers. No sector of the economy could say that railways had not risen to the occasion to fulfil this task. However, there were accidents and acts of sabotage by anti-social elements which had affected the fair image of the railways.

Mr Panday suggested that General Managers had to undertake a twopronged drive to check and reverse the trend of accidents. First, they should launch a "war" for improving the quality of work in workshops and depots. Optimal use of men and materials must be ensured and wagons and engine fleet should be put to efficient use. Maintenance of rolling stock has to improve substantially as also of track. Second, the heads of zonal railways should take "stern action for cases of default no matter who it is who is found to be responsible". They should avoid an attitude of helplessness and instead be firm in their strategy and action. About punctuality and safety, the Minister said that every accident led to disruption of traffic and consequent late running of trains. He advised GMs to look into the causes of late running of trains carefully and simultaneously analyse the causes of carriage and engine failures and signal and track faults.

Medical Education Review Committee

In the past three decades our country has made considerable progress in the advancement of medical sciences and extension of health services. However, in recent years it has been increasingly felt that the academic learning and practical training of doctors and specialists is not entirely in tune with the health needs and priorities of our country. This was stated by the Minister of Health and Family Welfare, Mr B. Shankaranand, while addressing the first meeting of the Medical Education Review Committee held recently.

The Minister said, we are continuing to produce graduate doctors and professionals in various disciplines who are mentally and professionally equipped to deal with problems in well equipped urban hospitals but who find themselves at sea when asked to take up the responsibility of dealing with the health and menical problems in rural areas and even in the semi-urban and urban slums.

Rural Electrification

The Rural Electrification Corporation (REC) has sanctioned another loan assistance of over Rs 18 crores for 86 new projects. The new projects will help electrify 1600 villages in twelve States and energise over 19,000 irrigation pumpsets. With a view to promoting agricultural production in potential areas, 37 projects involving a loan assistance of Rs 4 crores, have been approved under the Special Project Agriculture Programme which is jointly financed by REC, the Agricultural Refinance & Development Corporation (ARDC) and commercial banks. Over 15,000 irrigation pumpsets will be energised under these projects. For the electrification of 1,100 harijan bastis, a loan assistance of about one crore rupees has been sanctioned for 20 new projects. With this, the corporation has so far approved about 4,700 projects involving an aggregate loan assistance of over Rs 1530 crores. On completion, these projects together will electrify over 200,000 villages and energise 16.9 lakh irrigation pumpsets in all the 22 States.

Utilisation of Irrigation Potential

The Government has taken steps to ensure efficient utilisation of irrigation potential created under the major and medium irrigation projects in the country. To achieve this aim, the Command Area Development Programme has been extended to cover more projects. So far 76 projects having an ultimate irrigation potential of 15 million hectares in 16 States and one Union Territory have been identified for implementation of this programme. Fortyfour Command Area Development Authorities have been established covering 71 selected irrigation projects.

The Command Area Development Programme was initiated in the Fifth Plan with a view to speeding up the optimum use of irrigation facilities. The programme envisages setting up of Command Area Development Authorities at the project level. The Command Area Development Projects have covered about 15 million hectares in the country of which about 3.6 million hectares have been covered by field channels upto March, 1981.

Increase in Industrial Production

The total value of production of public sector undertakings under the Department of Industrial Development during the month of July, 1981 was Rs 2335.69 lakhs was 41.26 per cent higher than the production of Rs 1653.42 lakh in the corresponding period last year. The cumulative production during the first four months of the current year (1981-82) has been of the value of Rs 7470.11 lakhs which was 25.63 per cent higher than the production of Rs 5945.93 lakhs in the corresponding period last year.

Exports from Kandla Free Trade Zone

India's exports from Kandla Free Trade Zone during the first four months of the current financial year were estimated at Rs 13.64 crores as compared to Rs 6.62 crores during the corresponding period of 1980-81 recording a growth of 106 per cent. The target of exports from Kandla Free Trade Zone for 1981-82 has been fixed at Rs 40 crores. It is, however, expected that exports during this year may even touch Rs 50-crores mark.

The number of persons employed in the various units of the Kandla Free Trade Zone also increared sharply over the yeers. As compared to 800 persons about four years back, the Zone now employs nearly 4500 persons. It is expected that by the end of the current financial year the number of persons employed would increase to about 6000.

Kerala Power Project Approved

Kallada hydro electric project in Kerala which has been approved by the Planning Commission is estimated to cost Rs 11.80 crores. The project is an adjunct to the Kallada irrigation project already under execution.

Names in the News

Mr V.N. Kak, President, Rajasthan Tourism Development & Welfare Society has been nominated as the Chairman, Rajasthan Tourism Development Corporation (a State Undertaking). A verstile and dynamic administrator, Mr Kak had served as Chairman of many reputed public undertakings like Instrumentation Limited, Kota, Rajasthan State Hoteles Corporation, Rajasthan Sports Council etc. Under his able stewardship. Instrumentation Limited had earned the unique distinction of being the best managed public sector undertaking of the country.

V. N. Kak

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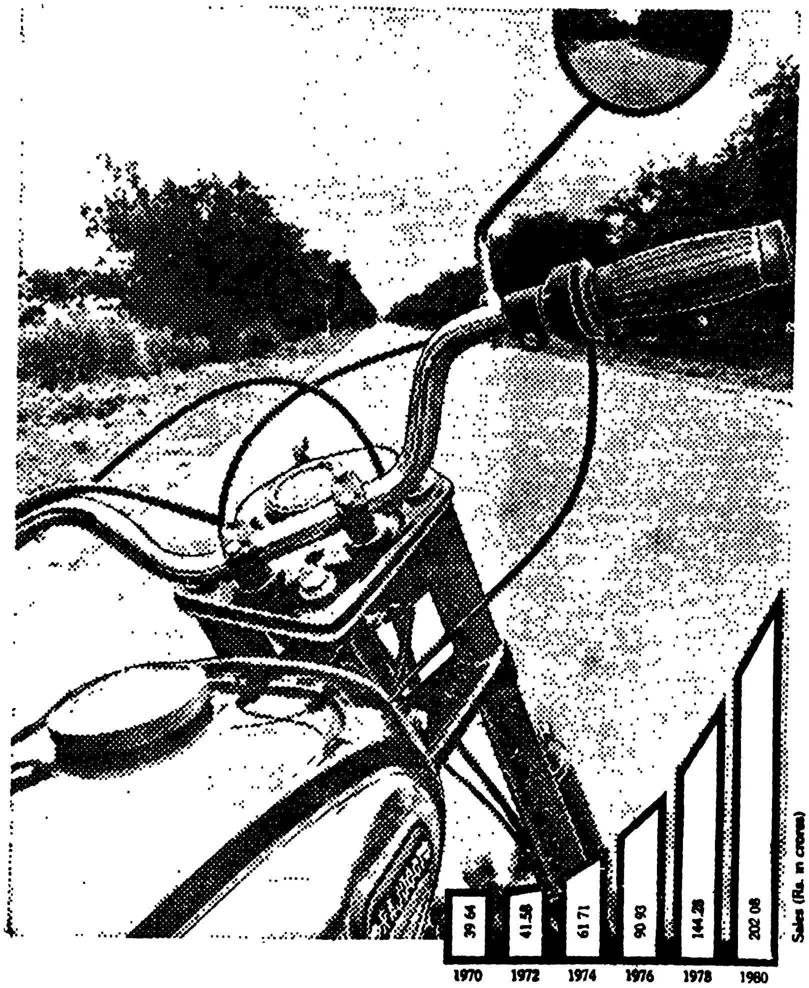

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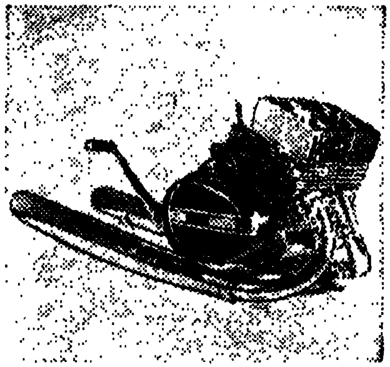

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COMPANY AFFAIRS

DCM Debenture Issue

Delhi Cloth Mills proposes to enter the capital market in the first half of December, 1981 with an issue of secured convertible debentures aggregating Rs 15 crores. Subject to the approval of the Controller of Capital Issues and also the shareholders of the company, DCM proposes to issue Rs 9 crores to the existing shareholders and Rs 6 crores to the public. Out of the public issue, Rs 1 crore will be reserved for allotment to employees, business associates etc. Twelve lakh debentures of Rs 125 each will be issued for cash at par. A little over a year from the date of allotment, 20 per cent of the face value of the debenture will be converted into one equity share of Rs 25 at par. The balance Rs 100 will be redeemed from the 7th to the 10th year. The debentures will be secured by a floating residual mortgage charge over a part of the company's fixed assets. The debentures carry a rate of interest of 13.5 per cent per annum payable half-yearly.

Several features of this issue, make this an attractive investment proposition. First, the conversion is being offered at par and that too just about one year after the debenture issue. The invester will hence be in a position to acquire the equity share at a very low price compared to the market price. Second, the company will offer interest of 14.5 per cent on the debentures, if the dividend exceeds 12 per cent. As the Board of Directors have already recommended the dividend of 15 per cent, the additional interest will be available to the debenture-holders from the very first year. Third, the company has produced excellent working results for 1980-81 with a profit before tax of Rs 2405 lakhs and a net profit of Rs 506 lakhs. Profitability prospects in future are good and it is anticipated that there will be no difficulty in servicing the enlarged equity capital in a satisfactory manner. Last but not the least, the funds being raised will be utilised in augmenting the long term working capital requirement of the company. The company needs to build up a sound working capital base as it proposes to take in hand for execution a massive capital expenditure plan in the next 2/3 years.

Light Vehicles

The company proposes to set up a cement plant in Kota, double its caustic and PVC production capacities at Kota and increase production capacities of automotive castings at Ropar (Punjab), alcohol and sugar at Meerut (UP). The company also proposes to promote a company to undertake production of the light commercial vehicles. This venture will be a very prestigious and profitable project of the company.

In a press conference recently Dr Bharat Ram, the Chairman of the company stated that the company has consistently followed a stable dividend policy and is confident of maintaining a good dividend performance in the future.

He stated that the Company has adopted for implementation a massive expansion and diversification plan for improving profitability of the company. The company is also in the process of completing the scheme of modernisation of its textile mills at a total capital expenditure of Rs 17 crores. The modernisation will be completed in the current year.

Ashok Leyland

Ashok Leyland has come out with highly gratifying results for the first six months of their current financial year ending December 31, 1981. Giving details of this impressive progress during the half year ended June 30, 1981, Mr R.J. Shahaney, Chairman and Managing Director, said, that the output of vehicles was higher at 6,885 units against 6,046 units in the corresponding periond in 1980. Sales also had risen by 22 per cent to Rs 122.43 crores from Rs 100.21 crores proviously. While the gross profit is significantly higher (Rupees 12.86 crores against Rs 9.04 crores previously), profit before tax shows a growth of only five per cent due to substantial interest and depreciation charges.

These results, Mr Shahaney claimed were noteworthy since the company has had to face numerous difficulties relating to availability of components, and power etc.

An interin dividend of eight per cent taxable, same as formerly, is to be paid on equity capital for the twelve months ending December 31, 1981.

It has been indicated that there will again be no liability for taxation as the claim towards depreciation and investment allowance will be much larger than in 1980. Mr Shahaney said the company had secured large contracts for the supply of double-decker and single-decker buses from West Bengal. Also an order for Rs 7 40 crores from Tamilnadu's Pallavan Road Transport Corporation under the World Bank scheme against stiff competition had been secured.

Exports to Sri Lanka will account for Rs 8.30 crores. Disclosing that the company had on hand orders for 40,000 vehicles, Mr Shahaney hoped the production for the current year would touch a new high at 15,000 vehicles.

Construction work at Bhandara in Maharashtra and Alwar in Rajasthan is progressing satisfactorily and these units are scheduled to commence working early in 1982. Mr Shahaney said progress in Alwar had been hampered by unprecedented heavy rains this year and they had lost two months' of work on this account.

Ferro Alloys Bonds Issue

The subscription list for the issue of 300,000 13.5 per cent convertible bonds of Rs 250 each for cash at par by Ferro Alloys Corporation Ltd. will open at the commencement of banking hours on November 5, 1981 and will close at the close of banking hours on November 16, 1981, or earlier at the discretion of the Board of Directors but not before the close of banking hours on November 9, 1981.

Out of the total issue of Rs. 7.5 crores, the Directors have reserved for preferential allotment 60,000 bonds (Rs 1.5 crores) for non-resident Indians, persons of Indian origin resident abroad and investors from oil exporting developing countries, with repatriation rights (necessary approval of Central Government already obtained); 30,000 bonds (Rs 75 lakhs) to the equity shareholders of the company on the date of application subject to a maximum of 20 bonds per applicant and 10,000 bonds (Rs 25 lakhs), to the employees, Directors etc.

The convertible bonds are being issued to finance a part of the FACOR's expansion programme. FACOR is setting up a plant at Randia. Baudpur, in Orissa (a notified backward area) for the manufacture of 50,000 tonnes per annum of charge chrome. The project will be 100 per cent export-oriented and approved as such by the Government of India. The technology for the manufacture of charge chrome was developed by the company's own research & development team. The total cost of the project is estimated at Rs 27.76 crores. Only 10.8 per cent of the total cost of charge chrome project will be financed by equity (Rs 3 crores) on the exercise of conversion option by the bondholders. As a result, the bondholders and the equity sharedholders will enjoy the fruits of high capital gearing.

Marketing arrangements for the charge chrome project have already been tied up. FACOR has entered into an agreement with the world-renowned Marc Rich & Co., A.G., Zug, Switzerland, to export the entire production of the charge chrome plant on an exclusive basis for the first ten years.

FACOR's growth has been impressive. Its annual turn over multiplied by seven times in a period of just 10 years from around Rs 5 crores in 1971 to Rs 35 crores in 1980. During the same period the gross profit has jumped from Rs 60 lakhs to Rs 6.56 crores. As on December 31, 1980 the reserves and surplus (Rs 6.11 crores) were more than 17 per cent of the equity capital (Rs 3.59 crores); the book value per share of Rs 100 is Rs 270. This is after the company had made two bonus issues in the ratio of 1:1 in 1977 and 1:2 in 1980. For the year 1980 the equity dividend has been stepped upto 15 per cent on increased capital.

Fomento Resorts

Fomento Resorts and Hotels, the company incorporated originally as a land development company in 1971, is now diversifying its activities with the set up of a beach resort hotel in collaboration with ITC Ltd. at Dona Paula, Goa. The hotel will be called Cidade De Goa and is the first beach resort hotel in the Welcome Group chain of hotels which is a division of ITC Ltd. The hotel, which will have 104 rooms when in full operation, will start in the middle of December with 22 rooms in the first phase. The company has entered into technical services agreement with ITC for the implementation of the project and hotel services agreement for operation of the hotel. The hotel project is being set up at total cost of Rs 375 lakhs and financed by the promoters and all India financial institutions like IDBI, ICICI and IFC.

Mukand Iron

Mukand Iron and Steel Works has planned expansion projects costing about Rs 39 crores. These projects are intended to be financed by long-term loans and retained earnings.

The company has applied for an industrial licence to manufacture sponge iron based on solid reductant, that is, non-coking coal. The capacity of the proposed plant is about 200,000 tonnes per annum and it is intended to be located in a "backward" district of Maharashtra. The company has also applied for expansion of its steel-making capacity from 35,000 tonnes of billets to 270,000 tonnes per annum.

Meanwhile, the programme of modernisation of the wire rod mills is in its final phase and is expected to be completed by the end of the current year. The company will be the first to set up an easy draw continuous cooling system for high carbon and low carbon wire rods. With these facilities, it will be able to manufacture 5.5 mm controlled cooled wire rods to international quality standards.

Refining and alloying of steels in the ladle with facilities for heating or deep vacuum will be adopted for making speciality steels including stainless steel, ball bearing steel, etc.

The company has taken steps to introduce several other new techniques and modern technology in the field of electric steel making, continuous casting and rolling. The company has already

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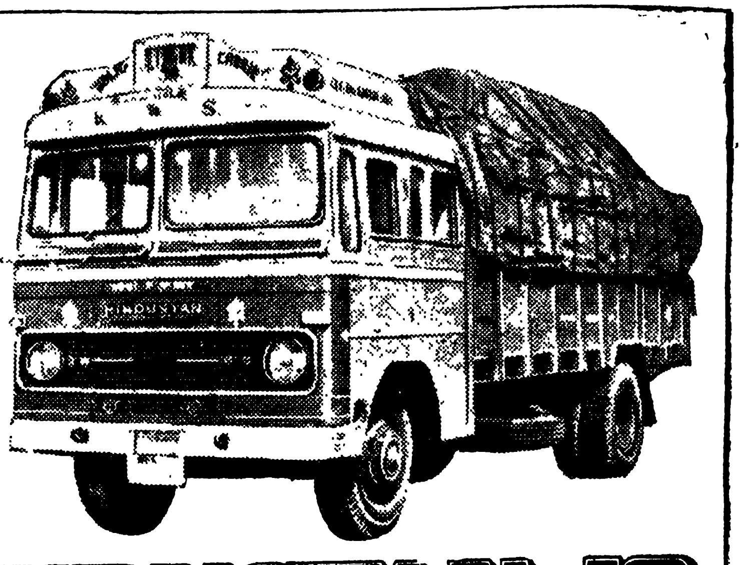

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arranged finance for the modernisation of the wire rod mill. The other programmes, to be completed in two phases, are expected to cost around Rs 20 crore to be met by issue of convertible debentures, borrowings from financial institutions and retained earnings.

Raymond Woollen

Raymond Woollen domestic sales during April-August last have been 33 per cent higher than the corresponding period last year. Mr Vijaypat Singhania, Chairman, foresees increased demand for the products of the woollen division during winter.

At the annual general meeting of the company in Bombay, Mr Singhania has said the company expects to get clearance shortly for replacement of 24 old looms with Sulzer weaving machines, which will augment the fabric production by 10 lakh metres per annum.

It is also proposed to instal balancing equipment to achieve the full licensed capacity in the woollen division. Besides, a new shoddy spinning plant is proposed to be established to further diversify the product range.

Referring to the cement project at Bilaspur, Mr Singhania has stated that it is expected to go on stream by March 1982. Work on doubling the capacity is proposed to be taken up soon thereafter by using the latest pre-calcinator technology. Moreover, to ensure the operation of the plant at the optimum level, it is proposed to provide for some captive power generation.

Nirlon Synthetic

The Chairman of Nirlon Synthetic Fibres and Chemicals, Mr Jaykrishna Harivallabhdas, has visualised good prospects for the company. He told shareholders at the annual general meeting in Bombay recently that the company's turnover during the current year was expected to exceed Rs 120 crore against the actual sales of Rs 97 crore in 1980-81.

The company's sales of nylon yarn, polyester yarn and tyre cord during the first five minths of the current year is placed at Rs 40 crore against Rs 31 crore in the corresponding period of last year, an increase of 28 per cent. Its sales of conveyer belt have totalled Rs 3.43 crore against Rs 1.74 crore, an increase of 94 per cent. The production of nylon and polyester yarn and tyre cord during the first five months of this year is higher by about 16 per cent at 3,713 tonnes compared to 3,195 tonnes in the corresponding period of last year.

The Chairman has said that the company expects to receive shortly the Government's approval for substantial expansion of its capacity. The capacity of nylon yarn is being raised from 3,520 tonnes to 6,000 tonnes and that of polyester yarn from 920 tonnes to 6,000 tonnes a year. The capacity of tyre cord plant is also being expanded from 2,100 tonnes to 5,000 tonnes a year. The expansion programme is estimated to cost Rs 50 crore. To meet a part of the finance, the company proposes to issue convertible bonds of Rs 20 crore. The balance cost would be met from internal resources and term borrowings.

Hind Rectifiers

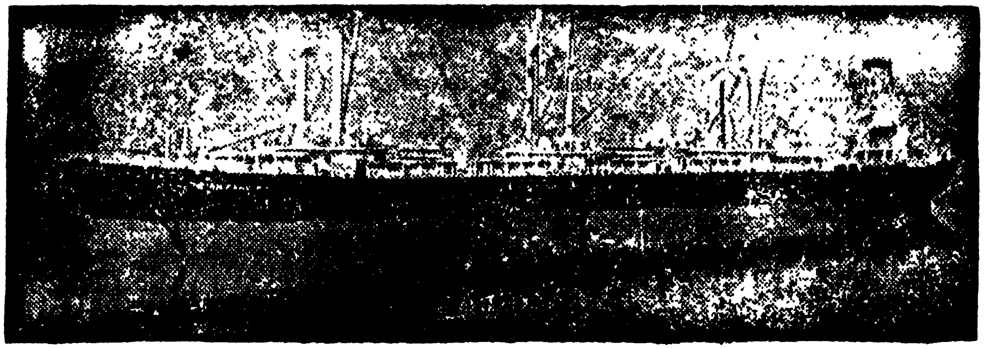
Hind Rectifiers is setting up a new unit at Nasik. It has already received the capital goods licence for the import of plant and machinery required for this purpose. The company is negotiating terms of collaboration with Westinghouse Brake and Signal Company of the UK for the latest know-how for the manufacture of diodes, thyristors, triacs and power transistors.

The company's proposal to issue bonus share in the ratio of one share for every two shares held confirms with the revised guidelines for issue of bonus shares. In view of this, the company expects to receive the Government's approval for the bonus in due course.

Kohinoor Mills

The turnover of the Kohinoor Mills Company Ltd is likely to go up to about Rs 40 crore during 1981-82 against a little over Rs 32 crores during the preceding year. Disclosing this at the annual general meeting of the company, the Chairman, Mr H. Nanjundiah, said that this increase would be possible because of the diversification of the product mix planned by the company.

During 1981-82, he said, the cotton crop was estimated to be good and the prices might be favourable during the early part of the season. The company, however, might not be able to get substantial benefit of this situation due to paucity of adequate working capital. The costs had been going up all along. The prices of petroleum products had gone up twice during 1981. The industrial workers' cost of living index had gone up from 423 in March, 1981 to 459 in August. The picture on the power front was also bleak. The 19 per cent increase in the power tariff, proposed by Tata Power, effective from mid-September would cost the company about Rs 24 lakhs more in the year. In this sombre story the only bright feature was the bold effort to diversify the production pattern within the existing limitations. The production of higher value fabrics resulting from this diversification was



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expected to improve the turnover and profitability to a great extent.

The company's loss during 1980-81 was Rs 2.97 crores against Rs 2.28 crores during the preceding year.

Gujarat Carbon

The Directors of Gujarat Carbon Ltd, have proposed a maiden dividend of one rupee per share for the year ended June 30, 1981. Sales have gone up from Rs 9.60 crore to Rs 10.60 crore and the gross profit is placed at Rs 89.58 lakh against Rs 97.04 lakh.

SLM-Maneklal Suffers Setback

Mr Jaykrishna Harivallabhdas, Chairman, SLM-Maneklal Industries, told the shareholders at the annual general meeting of the company recently that higher cost of production, increasing power cut, acute shortage of funds and slow demand for engineering products are the main factors which had adversely affected the working of the company in the last year. The company is facing the same difficulties in the current year also.

However, he assured the shareholders that the management is trying its best to control these factors and to see that the profitability of the company does not erode further.

The company hopes to achieve a turnover of Rs 26 crores in the current year against Rs 23.10 crores in 1980-81. Sales in the first five months of the current year amounts to Rs 8.70 crores compared to Rs 7.80 crores in the corresponding period of the previous year.

Mahavir Aluminium

Mahavir Aluminium, promoted by the Jain Group of industries, is setting up a Rs 4.14-crore project at Bhiwadi, a backward area in Alwar district of Rajasthan, for the manufacture of aluminium extruded products.

The project is progressing at a fast speed and equipment is expected to start arriving at the site from this month. The company is employing the latest sophisticated technology and all important machines worth Rs 1 crore are being imported.

The project is being financed by an equity capital of Rs 150 lakh, term loans of Rs 249 lakh and a Central subsidy of Rs 15 lakh. Out of the equity capital of Rs 150 lakh, the promoters will take up equity shares for Rs 103.50 lakh and the balance of 4.65 lakh shares of Rs 10 each will be offered to the public for which it proposes to enter the capital market in November this year.

The company is expected to commence commercial production in March, 1982, according to Managing Director, Pradeep Kumar Jain. The turnover during the first year ending October 31, 1982, is expected to be around Rs 2 crore at 55 per cent capacity utilisation. This will rise to Rs 5 crore at 70 per cent capacity utilisation in the second year as against the breakeven point of 60 per cent. At full capacity, the turnover will be about Rs 8 crore. To overcome power shortage, the company is installing a diesel generating set at a cost of Rs 80 lakh.

Ample Scope

Mr Jain does not envisage any difficulty in marketing the Company's Products in view of the estimated demand of 41,000 tonnes as against the installed capacity of 30,000 tonnes by 1983. The company is capable of producing 3,500 tonnes of aluminium extruded products. This will be mostly absorbed in New Delhi, the main marketing centre for Northern India, because of its proximity to the project, bringing down the transport costs.

The company will manufacture angles, channels, tubes and other profiles which find usage in the transport industry (bus body building), doors, windows, consumer durables like furniture, package industry, electrical and textile machinery manufacturing etc.

Chase Bright Steel

Mr S.L. Jojodia, Chairman of Chase Bright Steel has told the annual general meeting of the company recently that the management's all projections have been upset in the wake of the price decontrol and the consequent steep increase in the price of the raw material.

He has added that production and sales for the first five months of the current year have been slightly lower compared to the same period of the previous year but there is little hope of making a profit.

Bharat Gold Mines

The state-owned Bharat Gold Mines Limited, has made a profit of Rs 6.03 crore in 1980-81, its centerary year.

This practically has wiped out all the past accumulated losses of the company. During 1979-80 it had made a profit of Rs 3.7 crore.

According to the chairman of the company, Mr Gupta, the company is undertaking various programmes in the field of environmental control and improving techniques of gold recovery.

With the intensive exploration for gold included in the Sixth Plan, he says that not only the future of Kolar Gold Mines but the gold mining in the country itself appears to be bright in spite of the recent fall in the international price of gold.

Mazagon Dock Ltd

Production and profits of Mazagon Dock Ltd, a Government of India undertaking, have registered a significant increase during the year ended March 31 last. Production has shot up from Rs 56.99 crore to Rs 85.50 crore after remaining static for three years. The profit before tax is Rs 292.37 lakh (Rs 261.31 lakh), helping the company to maintain the dividend at 11 per cent on the increased capital of Rs 13.50 crore.

Departmentwise, ship-building is Rs 43.53 crore (Rs 31.67 crore); ship-repair Rs 13.18 crore (Rs 7.73 crore), offshore fixed platforms Rs 28 crore (Rs 16.88 crore) and general engineering Rs 78.41 lakh (Rs 69 lakh).

Caprihans India

Caprihans India, which had a disappointing results in the year 1980-81 has started looking up in the current year, according to Mr S.K. Verma, Chairman of the company.

Mr Verma told the shareholders of the company recently that though the despatches in the first quarter of the current year were lower than those in the corresponding period of the previous year, the next two months did show some improvement. He felt that the demand for the company's products would pick up and the company would be able to show a better performance than last year.

The company's application for substantial expansion of the PVC products from 3,960 tonnes to 9,000 tonnes is still pending with the Government. The Government meanwhile turned down the company's application for expansion of the capacity of laminates division, Mr Verma said.

The foam leather plant of the company, costing Rs lakh is expected to go into production in January 1982. A plan to modernise the calendar plant of the company is also under way during the current year, the Chairman added.

Hindustan Photo Films

Hindustan Photo Films Mfg Co Ltd (HPF) is already 98 per cent self-reliant and a fully integrated manufacturing unit. All the requirements of Black and White Cine Positive Film in the country are met by HPF since 1974. The demand for Cine Sound Negative is met by HPF since 1975.

All the hospitals in India use INDU X-ray since 1976. The entire requirement of Bromide paper is met from indigenous sources and HPF has a major major share of the market. HPF proposes, at a cost of Rs 200 lakhs, to create additional coating facility to the extent of 4-5 million sq. mts to augment capacity for X-ray film and roll film, totally developed by HPF.

Hindustan Photo Film's total production during 1980-81 was 11.083 million sq. mts an increase of 0.936 million sq. mts over the previous year (9 per cent growth rate). The value of production was Rs 6604 lakhs as against Rs 4903 lakhs in 1979-80. Capacity utilisation has reached 123 per cent. The total sales for the year amount to Rs 5972 lakhs as against Rs 4675 lakhs in the previous year, registering an increase of 28 per cent. It has earned Rs 29.84 lakhs by way of exports as against Rs 9 lakhs during 1979-80. Profit was ever increasing: Rs 143 lakhs in 1976-77, Rs 164 lakhs in 1977-78, Rs 232 lakhs in 1978-79, Rs 267 lakhs in 1979-80 and Rs 363 lakhs in 1980-81 As many as 18 ancillary units have been developed by the company and another, two are being added turning out goods covering chemicals, packaging and other related products of a value of Rs 13 million.

Gujarat Alkalies

The first stage expansion in the capacity of caustic soda plant of Gujarat Alkalies and Chemicals Ltd, from 37,426 tonnes to 70,425 tonnes per annum is nearing completion. The company is now producing 170 tonnes of caustic soda a day, the highest in the country. The full additional capacity will be in oueration towards the end of October according to the company.

The sodium cyanide project is expected to be commissioned by the middle of next year. To meet the bulk chlorine demand of IPCL for for its PVC project, the company is launching a further expansion in the capacity of its caustic chlorine unit by another 33,000 tonnes per annum. Advance action for this second stage expansion has been taken on hand.

Capital and Bonus Issues

The following companies have been allowed to raise their capital. The details are as follows :

Bonus Issues

M/s The Hooghly Flour Mills Co. Ltd: Rs 1,350,000 in fully paid equity shares of Rs 10 each in the ratio of 1:1.

M/s Arvind Exports Private Limited: Rs 725,000 in fully paid equity shares of Rs 100 each in the ratio of 1:1.

M/s American Product Co. Limited: Rs 100,000 in fully paid equity shares of Rs 10 each in the ratio of 1:1.

M/s Gujarat Steel Tubes Limited: Rs 1,80,00,000 in

fully paid equity shares of Rs 100 each in the ratio of 1:1.

M/s Bharat General & Textile Industries Limited: Rs 148,00,000 in fully paid equity shares of Re 1 each in the ratio of 1:1.

M/s The Zandu Pharmaceutical Works Limited: Rs 10,00,000 in fully paid equity shares of Rs 100 each in the ratio of 2:5.

M/s. The Tata Iron & Steel Co. Ltd:. Rs 20,57,61,100 in fully paid equity shares of Rs 100 each in the ratio of 2:5

M/s. The Metal Powder Co. Ltd: Rs 1,20,00,000 in fully paid equity shares of Rs 100 each in the ratio of 1:1.

Further Issues

M/s. Carbon and Chemicals India Limited: Issue of equity shares of Rs 500 lakhs (inclusive of capital of Rs 122,41,170 already raised for cash at par, out of which shares worth Rs 245 lakhs will be offered to the public by a prospectus. The proceeds of the issue will be utilised as part finance for setting up a plant in Ernakulam for the manufacture of carbon black in technical collaboration with M/s. Sid Richardson Carbon Gasoline Co., USA.

M/s Chowgule Steamships Limited: Issue of equity shares of Rs 233.50 lakhs for cash at par to the public by a prospectus.

M/s. Paper & Pulp Conversions Limited: Issue of 14,579 fully paid equity shares of Rs 100 each and 11,235 fully paid preference shares of Rs 100 each to the shareholders of Eurokote (India) Limited as per the scheme of amalgamation sanctioned by the High Courts of Gujarat and Maharashtra.

M/s. Fomento Resorts and Hotels Limited: Issue of equity shares of Rs 135 lakhs (inclusive of Rs 47.50 lakhs already issued) for cash at par, out of which shares of Rs 82.50 lakhs will be offered to the public by prospectus. The proceeds of the issue will be utilised to meet part finance for setting up a 104 room hotel beach resort in Goa.

M/s. Sudarshan Aluminium Industries Limited: Issue of equity shares worth Rs 20 lakhs for cash at par. The proceeds of the issue are to be utilised to meet, in part, the cost of the project for the manufacture of aluminium based alloys in the existing factory at Nasik.

M/s. Sukhjit Starch & Chemicals Limited: Issue of secured convertible debentures of Rs 1 crore for cash at par. The proceeds of the issue are to be utilised partly to finance a diversification project for manufacture of Dextrose Monohydrate at existing plant & partly to finance increased working capital requirements of the company.

M/s Star Industrial & Textile Enterprises Limited: Issue of 170,000 secured convertible debentures of Rs 250 each for cash at par. The proceeds of the issue are to be utilised to meet in part the cost of two new projects.

M/s. Tuticorin Alkali Chemicals and Fertilisers Limited: Issue of equity shares worth Rs 13 crores for cash at par.

M/s. Bombay Dyeing & Mfg. Co. Limited: Issue of secured debentures of Rs 400 lakhs for cash at par to the public by prospectus.

M/s. Modipon Limited: Issue of 500,000 13½ per cent secured non-convertible debentures of Rs 100 each for cash at par to the public through prospectus.

M/s. Pefco Foundry & Chemicals Limited: Rs 61.50 lakhs worth of equity shares of Rs 10 each.

M/s. Nagarjuna Cements Ltd: Issue of equity shares worth Rs 185 lakhs for cash at par.

M/s Nagarjuna Coated Tubes Limited. Issue of equity shares worth Rs 240 lakhs for cash at par.

Extension of Redemption

M/s. Madura Coats Ltd: Granted extension of the period of redemption of its existing 7¾ per cent debenture stock worth Rs 200 lakhs (originally redeemable between 1981 and 1983) by a period of 10 years. The rate of interest will stand enhanced from 7¾ per cent to 13.5 per cent per annum from July 1, 1981.

Rejection

M/s. Modi Spg. & Wvg. Mills Company Limited: Refused permission for issue of bonus shares of Rs 108,47,020.

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Printed and published by R.P. Agarwala on behalf of the Eastern Economist Ltd., United Commercial Bank Building, Parliament Street, New Delhi, at the New India Press, K-Block, Connaught Circus, New Delhi.

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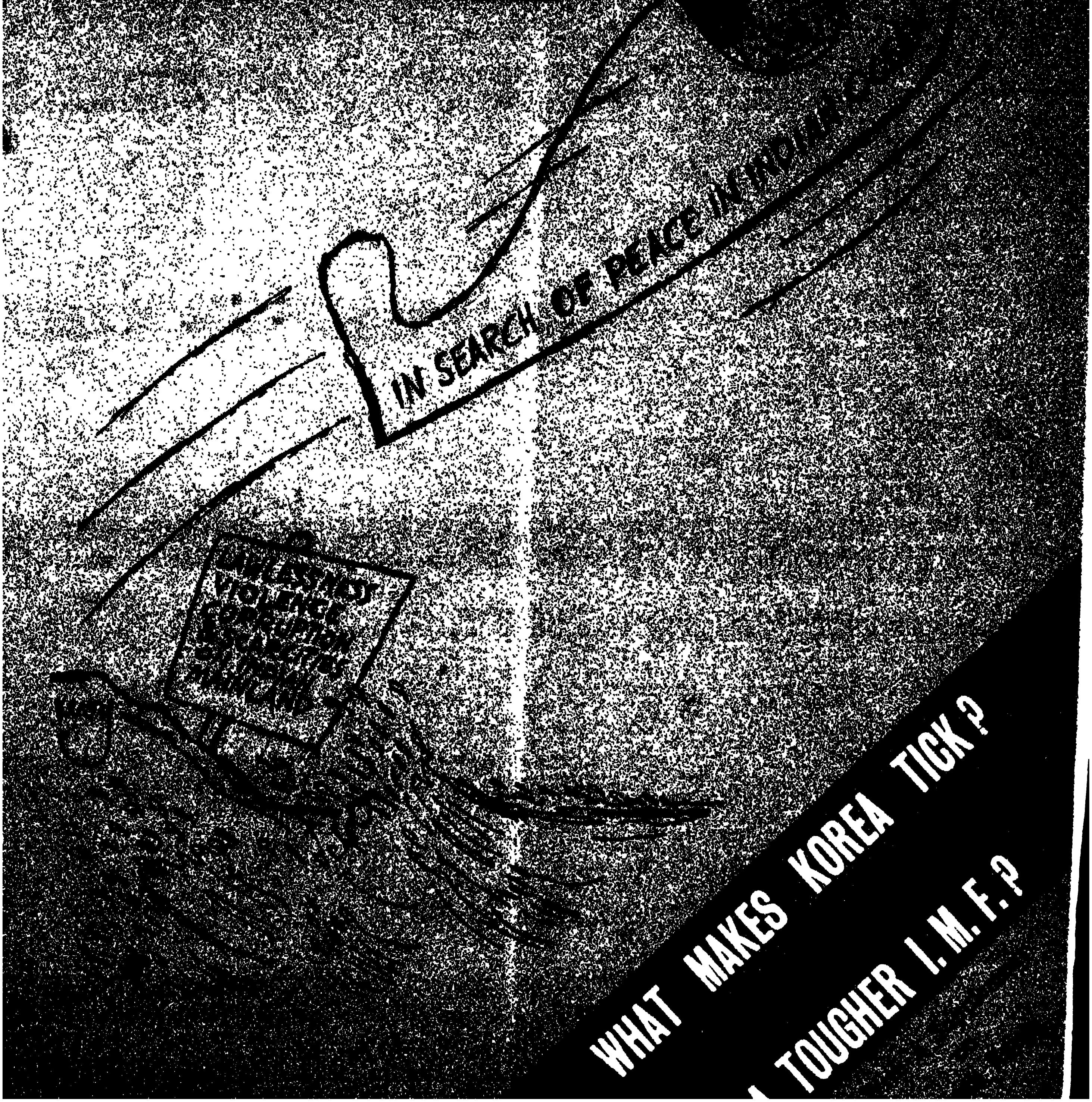
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This Week

September 23

Twelve army officers, sentenced to death for involvement in the May 30 assassination of President Ziaur Rahman, have been executed in Bangladesh.

The rupee devalued vis-a-vis the rouble to Rs 10.0259 per rouble. The earlier rate was Rs 9.7247 per rouble.

An agreement was signed with the Federal Republic of Germany under which it will provide assistance to India worth Rs 133.92 crores during 1981-82.

September 24

The official wholesale price index for all commodities (base 1970-71) during the week ended September 12 fell to 284.5 (provisional) from 284.8 in the previous week.

The pound sterling became cheaper by 15 paise as the Reserve Bank devalued it by 0.90 per cent. The new middle rate comes to Rs 16.60 per pound.

The Government announced the floatation of three loans aggregating to Rs 650 crores.

September 25

Eighteen ring towns around Delhi have been identified for priority development under the national capital region plan.

A new oil strike has been made in the northern Palk Straits in the Cauvery Basin.

September 26

Prime Minister Indira Gandhi deplored the recent nuclear tests by France and ballistic missile test by China in the South Pacific.

The Planning Commission has approved the Rs 2.85 crore Gladni-Miransahib power scheme formulated by the Jammu & Kashmir Government.

The first indigenously-built patrol vessel for the Indian Coast Guard launched.

A delegation of top Indian industrialists reached Moscow for talks with three Deputy Prime Ministers of the Soviet Union.

September 27

Prime Minister Indira Gandhi rounded off her tour of the Fiji Islands with a call to the Indian immigrants to identify themselves with the lot of the **Fijians.**

The US Treasury Secretary, Mr Donald T. Regan, was named to head the "Group of 10", which represents the world's industrial powers.

The State Chemicals and Pharmaceuticals Corporation (CPC) which increased its pre-tax profits from Rs 5.9 crores in 1979-80 to Rs 6 crores in 1980-81, will be merged with its parent company, the State Trading Corporation.

September 28

The main opposition parties of Bangladesh observed "black day" in protest against the execution of 12 army officials without a "fair trial".

The Reserve Bank of India up-valued the rupee by 1.22 per cent making rupee dearer by 20 paise in terms of the pound sterling. The middle rate is Rs 16.60 per pound.

September 29

The new President of the World Bank, Mr A.W. Clausen, indicated in his first address to the annual meeting of the World Bank and the International Monetary Fund that he will place greater emphasis on partnership with and incentives to the private sector.

The eight-day conference of Commonwealth Heads of Government began in Melbourne.

Supporters of "Khalistan" hijacked an Indian Airlines Boeing 737 with 117 persons on board to Lahore.

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ECONOMIST

A Tougher IMF ?

THE AMERICAN intention "to ask a lot of questions" about India's application for a loan of five billion dollars from the International Monetary Fund has naturally caused a flutter. The US Treasury Secretary, Mr Donald Regan, has taken the line that the IMF has been relaxing its terms for loans too much, and should become much stricter. Some other industrial nations seem to have supported this line of thinking. Does this mean that the IMF loan to India is in jeopardy unless India agrees to much tougher conditions?

The answer will be known only in November, after the IMF Board takes up India's application. But the signs are in fact quite promising. The Interim Committee of the IMF has rejected in no uncertain terms the American demand for greater conditionality. The Managing Director of the IMF, Mr Jacques de Larosiere, said that while conditionality was constantly under review, the Committee felt that the 1979 guidelines were appropriate. "There are no vagaries or caprice in the way the staff proposes loans and credits." This rebuke is of great importance, because Mr Larosiere is not only the head of the IMF but also an admirer of President Reagan's monetarism. Yet he has joined issue with Mr Reagan on conditionality. This augurs well for the loan to India. If the USA has failed at the Interim Committee meeting, it is likely to fail at the IMF Board meeting too.

Mr Reagan's accusations against the IMF are basically true. The IMF has diversified out of strict balance of payments control into quasi-aid. It has reduced the extent of conditionality. But that is a matter for applause, not censure. There is much more to the world's system than the limited aims for which the IMF was first set up. The initial objective was to provide only short-term balance of payments support, which would be repaid in 12 to 18 months' time. The original funds at the disposal of the IMF amounted to 12 per cent of world trade, enough to take care of even serious imbalances. IMF policies assumed that countries with balance of payments difficulties were bad boys with incorrect internal policies which stoked inflation and reduced competitiveness. Its prescriptions like devaluation, deflation, cutting budgetary deficits and slashing subsidies were made with this traditional bad boy in mind. But as the years went by, it became apparent that the world was not so simple. Countries could run into payments problems because of some unexpected shortfall in exports, caused by drought or frost. Obviously the standard IMF medicine would not take care of these situations, and hence the compensatory finance loan was devised by the IMF, an unconditional loan given for unforeseeable export shortfalls. Then came the oil crisis, and it became clear again that standard IMF prescriptions would not work. If every oil importing country in the world devalued simultaneously, none of them would be any more competitive than the other. The worst hit were the Third World oil importers, and the IMF took the initiative in creating two successive oil facilities, which recycled petrodollar surpluses to needy countries. The second facility carried an interest subsidy for poor countries. Then came the Special Trust Fund, created out of the profits of the gold sales of the IMF, and disbursed as 10-year soft loans to developing nations. By this stage the IMF had clearly entered the field of aid, or at least quasi-aid. Next came the second oil crisis, and the IMF approved the extended loan facility, which enabled countries to borrow up to 450 per cent of their quotas over three years. The IMF realised that adjustment to the second oil shock could not be done sensibly in 12 to 18 months but would take several years. Thus medium-term adjustment was required, over four to ten years. Of course the loans were conditional. But conditions that lead to adjustment over four to ten years are certainly softer than those aimed at adjustment over 18 months.

It should be noted that many of these innovations have come about at the instance of the developing countries. Mention also needs to be made of the issue of special drawing rights by the IMF. While their allocation is related to quotas, and hence loaded in favour of the industrialised countries, the use of SDRs has had much more marginal utility for the poor nations.

The IMF has enlarged its role and vision. But it has certainly not given up its insistence on conditionality. Nor should it. As Mr Larosiere has said, deficits cannot be financed indefinitely—the countries concerned will have to make the necessary adjustments. The IMF has done its bit by expanding the time horizon. And borrowers must do their bit by adjusting their economies to high energy prices. It was pointless for the head of the Group of 24 developing countries, Mr Virata, to threaten that some of his brethren would walk out of the IMF if it stiffened conditionality. Avoiding the IMF does not mean you can avoid adjustment—a country which has been spending more than it earns will be forced to adjust by bankruptcy if not by the IMF. An IMF loan provides a cushion for gradual adjustment. Without it, the crash-landing will be much more severe. The lines of both Mr Reagan and Mr Virata were ridiculous extremes. Mr Larosiere has taken the golden mean.

Two Cheers for Tom Clausen

Mr A. W. Clausen, the new President of the World Bank is going to follow old MacNamara policies—almost. For the developing countries this is good news. Some doubts had developed during the past few months (before he had chance to say his piece) that he might listen, if not succumb, to the persuasion of Reaganomics. By saying that the Bank will "continue to do what it was founded to do : constitute a unique source of development capital to... be lent for top priority productive projects with high rates of economic return" he has dispelled these doubts. Good for him.

Mr Clausen has come out strongly in favour of the International Development Association. In so doing he has delivered a much needed rebuke to those who believe that the IDA is just another name for a charitable organisation. "An IDA credit is not a welfare check", says Mr Clausen. He is dead right. The World Bank recently reviewed 130 projects representing investments of over $10 billion. It found that more than 94 per cent of the total investments had achieved their major objectives and that the economic rates of return for most of them exceeded 10 per cent. And lest the doubting Thomases query the relevance of figures alone, Mr Clausen posed a more fundamental question: what is it worth to the wealthy nations, he asked, to be able to count on a reasonable degree of political and social stability based on prospects for economic progress, in the poorest countries of the world ? A lot, one imagines, unless, of course, one refuses to look beyond one's nose.

Those who liked Mr Clausen's speech at his debut will far outnumber those who didn't. The loudest applause will come from the oil-importing developing countries with low-income, agricultural economies; for, Mr Clausen has spelt out his priorities loudly and clearly. They are agricultural and rural development, energy and—hope for the truly benighted—sub-Saharan Africa.

But those who felt relieved that Mr Clausen is not Mr David Stockman in disguise must have swallowed at least twice. The first time must have been when he said that Bank cooperation was not a one-way street. Mr Clausen did not seem to have any doubts in his mind that the developing countries were in for a rough ride and that they would have to make, well, adjustments. It looks as though the World Bank and the IMF will speak in unison, with the former going a step further; it will direct project and sector lending to help developing countries make the necessary structural adjustments. But what he did not say is probably more important. He avoided the subject of what would happen to such lending if an applicant refused to make some of the prescribed adjustments. He did say, however, that such adjustments are "critically necessary if these countries are to do better in the 1980's than the current economic projections suggest they will."

The second gulp must have come when he said Bank credit would cost more. Mr Clausen is a banker and he knows that funds are going to be expensive and that he is not immune to the twin pressures of high interest rates and inflation. "...rising costs of capital", he said, "must be passed on to the borrowers". This is a much better way of disciplining errant members. Much better, that is, than the Reaganomic way, which is cutting off funds altogether.

Bank funds are going to be scarce. Mr Clausen therefore intends to "increase substantially the level of private co-financing in the next several years. To protect private foreign investment against the vagaries of local politics, Mr Clausen indicated his willingness to go along with a scheme of multilateral investment insurance. Any taker?

Thus, in the final reading, Mr Clausen's message is clear : although funds are scarce and expensive, the Bank will not take two steps backward; but if the beneficiaries of the loans want to help the Bank help them, they will have to be more efficient in the way they utilise the money; the way they can do so is to make the "structural adjustments" that (in the Fund-Bank view) are so necessary; meanwhile, it, the Bank, will do its best to facilitate the inflow of private investment too. The Bank has said its bit. It is up to the developing countries now.

Khalistan by Skyjacking

THE HIJACKING of an Indian Boeing by Khalistan faddists of the Dal Khalsa is not an isolated event. It is the inevitable result of the Government's pussy-footing on Sikh extremism. The murder of the Nirankari Baba, the murder of Lala Jagat Narain, and now the hijacking, are part of one grisly sequence. Had the Government arrested Sant Jarnail Singh Bhindranwale in connection with the Nirankari murder, there would not have been much trouble in Punjab. By the time it arrested him for Lala Jagat Narain's death, the Sant's popularity had soared, and he is regarded as a Sikh hero. The Sant was able to set his own terms for surrendering to the police. This kind of VIP treatment encouraged the Dal Khalsa to hijack a plane. The hijackers demand the release of the Sant. This must necessarily tarnish his image in Punjab. It is now time to act sternly against the Sant and for that matter all extremists. There should be no easy toleration of Khalistan passports and currency. The Dal Khalsa is yet a small group, and the foreign-based proponents of Khalistan have little following in Punjab. But if permissiveness about Sikh extremism continues, the hijacking will prove to be a picnic compared with what will follow.

In dealing with the likes of Bhindranwale, the Government must go several steps in the direction of teaching would-be Bhindranwales a lesson. There should be no doubt left in the minds of men who would tread a similar path that loathing's labour will be lost.

For this to be done the first step would be to stop Punjab Congress factions from encouraging the Bhindranwale group in a bid to undermine the Akali Dal leadership. Those who are indulging in petty politics are playing with fire.

Mr Bhindranwale was treated like a VIP on the grounds that he is a religious leader and that arresting him would either make him a martyr or spark off riots in Punjab. These reasons are not good enough to put a man above the law, so much so that he could dictate the time and place of his arrest.

There is a danger that a similarly specious reasoning could be applied in further dealings with him. This must not be. The Congress(I) must look to the wider issues even if the temptation to exploit the narrower ones for immediate political gain exists.

Mrs Gandhi professes to be totally against communalism. Sikh extremism is no better than Hindu or Muslim extremism. And when it starts breeding violence on an increasing scale, petty political considerations must be laid aside while dealing with it. The true measure of Mrs Gandhi's anguish on the events in Punjab will be the firmness with which she deals with the terrorist elements there. The time to do so seriously was when the Nirankari Baba was shot dead. Failure to locate and punish the guilty has only emboldened the extremists who have now turned to terrorism. Any failure to act strongly will only embolden them further, leading to more murders, e.g. that of Lala Jagat Narain.

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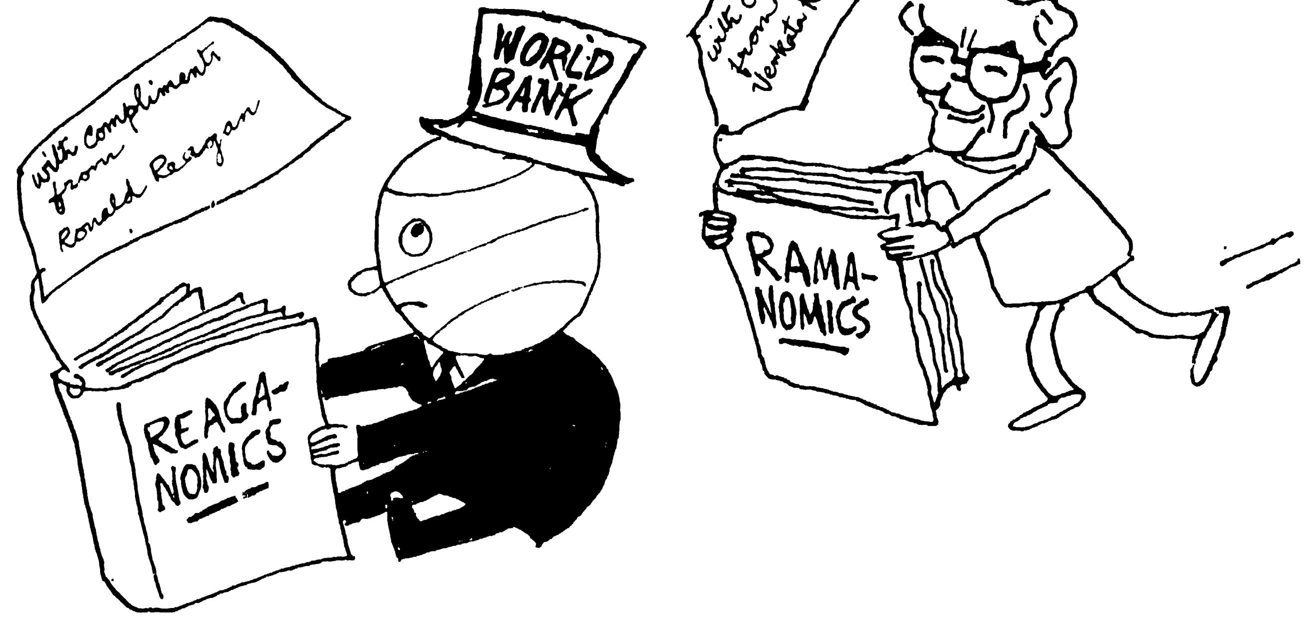
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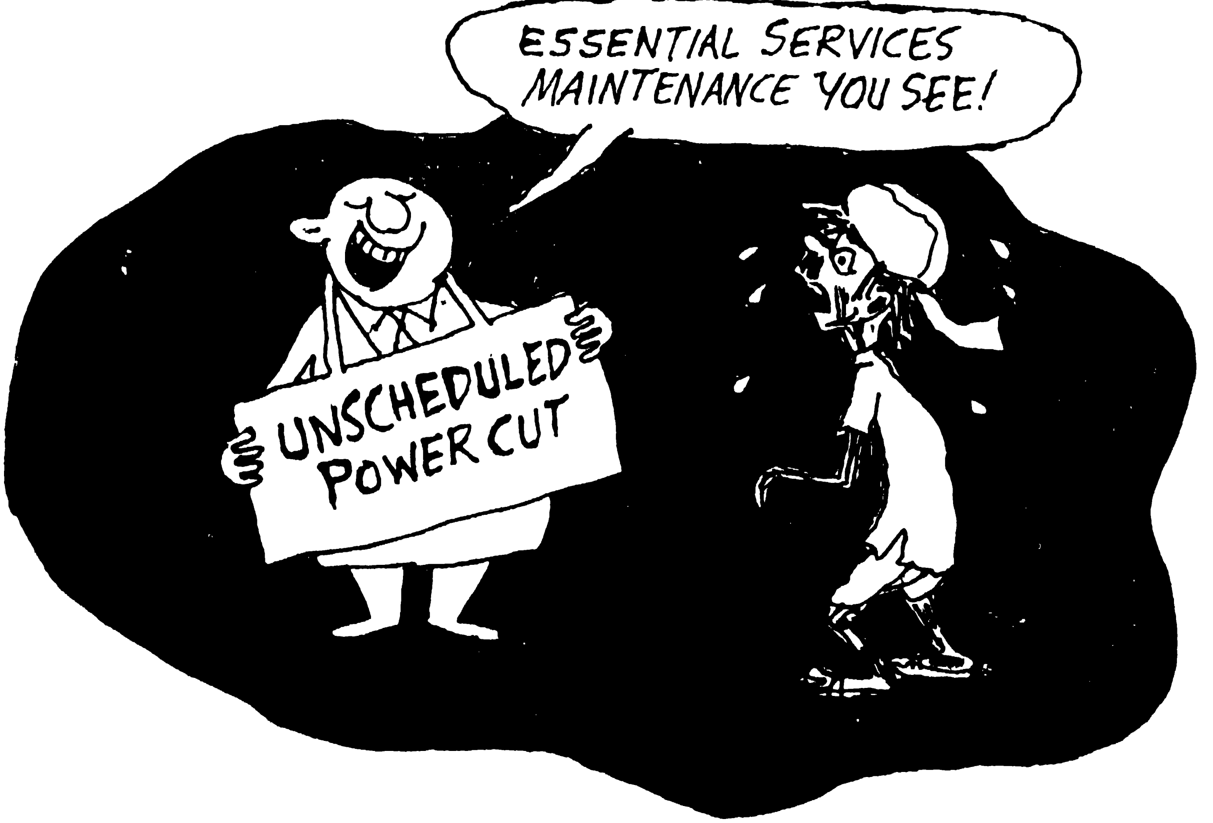
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In the Nation

Outlook for Textiles

T.T. Vijayaraghavan writes from Bombay

THE COTTON textile industry seems to be again in a bad shape. After a fairly long period of slump, the industry staged a recovery about three years ago. The expectation was that this would be sustained. But this has been belied. This is the conclusion one has to draw from the speech delivered by Mr K. Rajagopal, Chairman of the Indian Cotton Mills Federation, at the annual meeting held in Bombay last month.

It must be mentioned that the earlier recovery took place in the background of the adoption of the multifibre policy when both cotton and man-made fibres were available in fairly adequate quantities and at reasonable prices. With modernisation going apace and offtake of cloth also being comfortable, there was steady improvement. But this favourable trend has been reversed due to several factors. The major one is the unprecedented rise in the costs of production all round. Thus the raw materials, both cotton and man-made fibres, have become very costly even while their availability has become reduced. The average cotton price during January-June 1981 have been nearly 37 per cent higher than during the corresponding period in 1980. Certain varieties seem to have gone up by more than 50 per cent. Similar has been the case with regard to man-made fibres. The prices of indigenous viscose fibre, which had gone up by 31 per cent between 1978-79 and 1979-80, have shown a further rise of over 15 per cent. At the same time the imported fibre attracts a still higher duty.

Power has also become costly since to meet power shortage and frequent breakdowns, the industry has to resort to a self-generating means of power by the captive plants. There has been increase in wages. The wages in Bombay have gone up from the average of Rs 1034.86 to Rs 1186.49 in June 1981. The industry has been subjected to a rise in the prices of dyes, chemicals, stores, spares etc. • It has been calculated that the total increase in the cost of production of cotton cloth in the Bombay mill industry is nearly 26 per cent compared to last year. At the same time, the demand for cloth has remained subdued. On an average prices of cloth increased only by five per cent in 1980 over the level of 1979. Studies conducted by the market research wing of the Textiles Committee of the Commerce Ministry have indicated that any rise in the price of cotton fabrics would adversely affect their offtake. The industry is thus placed in a dilemma. If it is to survive, it has to raise prices. If it does so, offtake will suffer. This means that every effort has to be made to bring down costs. In certain fields like energy conservation, the industry itself has to do a great deal. But clearly policy changes by Government are called for to help the recovery of the industry.

In his address to the ICMF, Mr Rajagopal referred to the integrated textile policy announced by the Government earlier this year. This policy has reiterated the importance of the multifibre approach and says categorically that while maintaining the position of cotton as the dominant fibre, the use of man-made fibres and yarn would be encouraged by the different sectors of the industry, keeping in view the domestic and international consumer trends and preferances. The industry has pleaded for quite some time for the abolition of the 10 per cent import duty on viscose fibre and for a further reduction in the excise and countervailing duties. Obviously the prohibitively high duty rates on polyester fibre and yarn have acted as a disincentive in stepping up their consumption. It may be recalled that the Working Group on Textiles for the Sixth Plan has itself recommended a readjustment of the duty structure on man-made fibres and yarn. This has to be done without delay if the multifibre policy is to be made meaningful.

A Valid Point

As regards cotton, Mr Rajagopal made the valid point that if State agencies are to have free play with the marketing operations in cotton, it would go against the objective of an integrated textile policy. The Maharashtra State Cooperative Marketing Federation (MSCMF) and the Cotton Corporation of India (CCI) have failed to take an economic and balanced view of the need to market in an orderly manner the cotton stocks procured by them. On the other hand because of their monopoly hold on stocks, the free flow of cotton in the market was artificially restrained leading to a bullish trend in prices. Mr Rajagopal, therefore, suggested —and he has a case here that the scheme for monopoly procurement of cotton by the State agencies should be dropped and simultaneously the Board of the CCI should be broad-based and its functions revamped to meet the overall national objectives.

The industry has, however, to convincingly rebut the charge that the complaint of serious shortage of cotton during the year just ending has been overplayed. It is pointed out that private textile mills have picked up less than 20 per cent of the 100,000 bales of cotton from Pakistan that were sanctioned for import. Why ? The argument that the cotton came too late to be of use, there were too many conditions in the deal, the quality of cotton raised some doubts and so on do not appear to be satisfactory. In any case no one can deny that the stock with mills should be more accurately estimated when the domestic supply position is assessed. Mr Rajagopal has, however, made the point that the offer of imported cotton was restricted to exporting units and NTC sectors and hence the response has been inadequate. So, he has argued, if the problem of overall shortage is to be tackled, it is necessary to make available import quotas to all the mills freely.

Mr Rajagopal was on strong ground when he spoke about the need for accelerating the modernisation of mills. The industry has repeatedly urged the Government for the creation of a modernisation reserve to insulate it from the cyclical changes in profitability. It is not known as to why the Government has not accepted this suggestion so far. What is more surprising is the virtual withdrawal of the 'soft' loan scheme by the Industrial Development Bank of India. Also there has been a hike in the interest charges for term loans. This is bound to cause a setback to the tempo of modernisation of mills. There is a valid case at least to restore the original terms of the soft loan scheme.

Also the Government should respond favourably to the scheme submitted by the ICMF for the import of sophisticated looms and other machinery for export production on concessional terms Unless the textile industry is strengthened through liberal grant of concessional finance it will not be able to stand fierce international competition.

Toning-up State Corporations

S. Viswanathan writes from Madras

In the south, capital formation has been poor. Various steps have been taken from time to time for stimulating capital formation. There is also the factor of industrialisation taking roots only after Independence. In the initial phase the new class of entrepreneurs was understandably cautious in limiting the size of its enterprises to a level manageable by itself. The result was that a number of companies in the south are closely held.

Mr R. Venkataraman, the then Minister incharge of Industry in the State in the late Fifties and Sixties tried to stimulate industrial investment by liberalising the scope for the State Financial Corporation. The Madras Industrial Investment Corporation now known as Tamil Nadu Industrial Investment Corporation relaxed many of its rigid rules and set on a pioneering course. Important among these is the provision to participate in the equity capital of public limited companies, apart from liberalising its term-lending portfolio. In a situation where private capital formation was so poor this factor was of considerable help in enthusing promoters of industrial units to think big, and to take up capital-intensive industries in hitherto unexplored areas. The Madras Aluminium Company, Seshsayee Paper and Boards, which have grown into large corporate units today received such assistance from TIIC.

Still, private entrepreneurs have not been too greatly enthused. The formation of the Unit Trust also did not succeed initially in the spread of the investment habit. For several years Gujarat and Maharashtra, traditionally known for the investment habit, accounted for a predominant share of the sales of Units. The whole of the southern region, as late as 1972, accounted for just around six per cent of total Unit sales.

A further refinement of the role of industrial development corporations blossomed into the joint sector concept. In this the Government owned corporations invested over a fourth of the equity of such ventures. The promoter normally contributed an almost equal share and the balance was raised from the public. The willingness of the Government to share the risk in ventures involving sizable capital and also possibly long gestation, was helpful in attracting new classes of entrepreneurs apart from enthusing existing ones. The Government also lent the services of some of its senior officials for the management of such units. The Tamil Nadu Industrial Development Corporation stimulated the promotion of a number of such ventures in the joint sector, most important among which is the giant fertilizer company, Southern Petrochemical Industries Corporation. The concept spread even faster in neighbouring States of Karnataka and Andhra Pradesh. In the last three years, Andhra Pradesh has been registering a spectacular progress in the matter of setting up joint sector units with sizable investments.

The involvement of the States Governments have also been helpful in obtaining the clearance for applications for letters of intent and industrial licences. And reminiscent of the initial phase of industrialisation in the Fifties and Sixties when large industrial units scrambled for these licences even as a pre-emptive measure in the initial flush of enthusiasm, several State Development Corporations went on a spree, and applied for licences for setting up a wide range of industrial units without proper evaluation. There was also the imponderable factor of steep escalation in cost which threw the viability of many of the schemes thought of earlier out of gear. Thus for instance, nearly dozen States obtained letters of intent for setting up facilities for the manufacture of automotive tyres and tubes. Most of these have remained non-starters. In several cases it appears like buying the caps and searching for people with the appropriate heads to fit these.

Management Problem

And then there is the problem of management. The Centre took nearly two decades to realise the problems inherent in entrusting the leadership of public sector undertakings to civil servants. The past habit of appointing civil servants and political personalities as Chairman and Managing Director of public sector companies was rightly given up. The development of professional cadres for manning these was instrumental in improving the efficiency of many of these undertakings. In a matter of just five years from 1972 to 1977, Bharat Heavy Electricals could throw up dozens of managers from within to manage vastly growing level of operations. In the Seventies the system of deputation of offi-

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cials to top positions in the public sector units greatly diminished.

Unfortunately at the State level a similar change has not taken place. There is no cadre of industrial managers to man top positions in industrial units administered by State-owned corporations. There is thus the continuing practice of putting IAS officers as Chairman/Managing Director for these corporations. The system naturally results in perpetuating a certain vested interest. Even giant organisations like the Electricity Board employing hundreds of qualified engineers do not have any programme of throwing up managers to top positions from within. And often administrative service personnel without much of an orientation in managing industrial corporations are appointed without any fixation of the tenure to lead these corporations. Look at the experience of the Tamil Nadu Electricity Board. The practice of appointing IAS officers as Chairman started in 1969 when the then Chief Minister, Mr Karunanidhi wanted to accommodate a senior civil servant for a temporary period before appointing him as Chief Secretary of the State superseding several others. Naturally the very idea meant a short tenure for this incumbent.

Familiar Pattern

This pattern became distressingly familiar. The Electricity Board has seen some ten Chairmen in this period; for a complex operation of managing nearly 100,000 employees in a State that has taken spectacular strides in the matter of rural electrification through a vast network of transmission and distribution lines and with an increasingly large agricultural load (the State has nearly a million pumpsets in operation accounting for a fourth of total pumpsets energised in the country).

The practice of frequent tampering with the chairmanship of the Electricity Board had contributed to a lot of stagnation and even inefficiency. This type of transfers and postings is seen to a similar extent in the matter of appointing Chief Executives of several other important corporations owned by the State like the Tamil Nadu Industrial Development Corporation, Tamil Nadu Small Industries Corporation, Tamil Nadu Small Industries Development Corporation, each of which has grown in size and complexity of operation.

The time has come for the Centre to develop a special cadre to train a section of IAS personnel in industrial management. More important is to impress upon State leadership the importance of giving a reasonably long tenure for personnel appointed as Chief Executives of such corporations.

Dr Mishra's Strategy

The Chief Minister of Bihar, Dr Jagannath Mishra, recently announced his decision to maintain close liaison with the MPs from the State and seek their active assistance in speeding up its economic development. In a letter addressed to them, he drew their attention to the progress being made in implementing the various projects and the problems faced by them. He also told the MPs about the schemes pending with the Central Government such as the petro-chemical complex at Barauni, nylon synthetic filament project cement plants in Palaman and Rohtas, polyester staple fibre plant at Samastipur and so on. The Chief Minister proposes to write to the MPs every month and keep them continuously informed about the steps being taken by his Government to promote Bihar's development in different fields.

Dr Mishra's move in this direction will prove useful provided the MPs take a genuine interest in Bihar's affairs and use their influence in New Delhi to expedite decisions. But the MPs can effectively play their role only if the State Government tones up its administration at every level. Dr Mishra and his Ministers refrain from petty political controversies and give more serious attention to Bihar's economic problems. The proceedings of the annual general meeting of the Bihar Industries Association, held in Patna on September 19, revealed that the State Government is yet to gear up its administration to the tasks of development. The Association's President, Mr H.P. Bodhanwala, complained in his address that some of the incentives announced by the Government a few months ago, were yet to be implemented and that the Industrial Development Council had not started functioning in right earnest.

Dr Mishra told the Association that the State Government proposed to announce some new tax concessions to promote investment and that special efforts would be made to revive the sick units. He said that the District Industries Centres would be restructured and that schemes were being prepared to set up mineral-based industries. He also gave details of the additional power which would be made available in due course by the Centre from the Farakka and the Kutku projects as well as from its own sources. But what is the State Government doing to enable the industries to get their requirements of power for the present ?

R. J. Venkateswaran writes from Calcutta

Mr Bodhanwala expressed his distress at the poor performance of the State Electricity Board. He attributed this situation to the absence of good management and wondered why it could not be improved when some of the power plants in the private sector were able to achieve far better results. He also criticised strongly the State Electricity Board's proposal to increase the tariff by 16.5 per cent at a time when industries were already facing acute hardship due to the power crisis. However, there does not seem to be any prospect of the Electricity Board changing its style of functioning. In many industries other also the Boards have been operating inefficiently for years and the Chief Ministers concerned have been unable to make them mend their ways. Even so, Dr Mishra should continue his efforts to energise the Board and keep the power tariff at reasonable levels. He told the Bihar Industries Association that many entrepreneurs were not coming forward to instal diesel generating sets in spite of the subsidy offered by the Government and he remarked that "the situation appears to be paradoxical." The Chief Minister should know that diesel sets are not the answer to the problem of power shortage and that only a few industrial units can afford to instal them with the help of the subsidy.

Bihar's record of wheat procurement during the current year is reported to have received adverse comment from the Central Government which feels that the State should have made more serious efforts to reach its target of one lakh tonnes. The actual procurement is said to be only of the order of 12,000 tonnes.

Bihar's economic progress in the coming months will depend not merely on the incentives and facilities provided by the State Government but also on the improvement of industrial relations and the law and order situation. The MPs from the State should consider in what manner they can help Bihar to improve its image in these respects. It remains to be seen to what extent the MPs will reciprocate Dr Mishra's gesture in seeking their advise and assistance in accelerating Bihar's march to prosperity.

The Metro Snail

THE PUBLIC Accounts Committee, in its report presented to the Lok Sabha on September 11, severely criticised the slow progress being made in implementing the Metro railway project in Calcutta. It expressed the view that the entire scheme was unlikely to be completed by March 1987, as now envisaged, since till last February only 27.5 per cent of the work had been completed. The Committee referred to the sharp increase in the cost from Rs 140.30 crores in 1972 to Rs 526 crores at present at the current prices and it remarked that in the coming years there was bound to be faster escalation. Among the factors highlighted by the Committee for the inordinate delay in completing the project, the more important were the lack of funds, the frequent changes in the post of General Managers and Chief Engineers, the appointment of persons on the verge of retirement to senior posts, the wrong selection of contractors and the undeserved concessions and favours shown to them. The Committee suggested that the progress of the project should be reviewed at the highest level and that a time-bound schedule laid down for completing it.

Most of the strictures passed by the Committee are, of course, justified. But what are the prospects of the project being implemented with speed in the coming months even after drawing up a time-bound programme, as recommended by the Committee ? According to its Chairman, Mr Satish Agarwal, there are a number of public sector projects where costs had shot up by 700 to 800 per cent and were delayed by eight to nine years.

Escalating Costs

It will therefore be hardly surprising if the Metro railway continues to make progress on the same scale and speed as in the previous years. It is hoped however that the authorities will show a greater sense of seriousness and urgency. What should cause concern is not merely the escalation in costs but the tremendous hardship caused to the people of Calcutta as a result of its slow implementation. The Government of India should carefully study the findings and recommendations of the report of the Public Accounts Committee and see to what extent they can be quickly carried out.

The Government of West Bengal also should examine the report and find out in what manner it can cooperate with the Centre in expediting the completion of the project. Is the acute power shortage hampering its progress ? Is there a close coordination between the project authorities and the Calcutta Metropolitan Development Authority and the other agencies engaged in the city's improvement? The Minister for Urban Development, Mr Prasanta Sur, said recently that in many cases the Metro railway had encroached on more space than was necessary and that this had caused greater traffic congestion. The railway had agreed to widen one side of a road when digging was done on the other side but the Minister was not sure whether this assurance was being fulfilled in all cases. It seems that the State Government itself has not been taking a close and continuous interest in the implementation of the project despite its crucial importance to the future of Calcutta.

Meanwhile, the State Government should take the necessary measures to improve the transport situation in Calcutta which has become more chaotic in recent months. The fact that even rainfall of a short duration completely disrupts the city's transport for several hours clearly indicates that the State Government also has been utterly indifferent and lethargic in carrying out the various schemes for Calcutta's development.

The citizens are aware that waterlogging (and load shedding) will continue to persist for a long time. What they would like to know is whether any measures are being contemplated with sufficient seriousness to deal with these chronic problems which have arisen not because of financial constraints or technical difficulties but mainly because of incompetence.

The new Governor of West Bengal, Mr B. D. Pande, has vast administrative experience in the fields of finance and planning. The Left Front Government should make the best of his expertise and influence in New Delhi to get the Metro railway expedited and to obtain quick clearance to other schemes for Calcutta's improvement. The Governor also should take a keen interest in the betterment of Calcutta whose problems have been allowed to accumulate and aggravate by the apathy of its citizens and the indifference of the Government.

STC: Mixed Show

THE STATE Trading Corporation has managed a turnover of Rs 1,670 crores during 1980-81, which is the highest to date. This represents a nine per cent increase over last year. The turnover of the STC group as a whole—which would include PEC, CPC, HHEC, and the Cashew Corporation—was also higher by seven per cent at Rs 1,875 crores.

The exports of canalised items have, however, fallen largely due to the shortfall in the domestic market which affected the exports of sugar. And castor oil export suffered, says the STC, because of a lack of parity in international and domestic prices. The exports of semi-processed leather declined due to two reasons: first because of the Government policy restricting the export of semi-processed leather in order to encourage the exports of finished leather with a higher value added content, and second, because of a general slump in the West.

The import turnover of the Corporation was higher last year than in 1979-80 at Rs 1,214 crores. The import of edible oils reached 1.1 million metric tons as against 0.84 million metric tons in the previous year.

There have been complaints about STC's inefficient handling of imports. The STC says that it is now making good progress in connecting Bombay's Indira docks with storage tanks by pipelines. Depots have also been opened in various States for edible oil deliveries to State agencies.

STC has further undertaken the following measures for efficient handling and distribution of edible oils:

1. To meet festival demand, refining arrangements have been geared up.
2. Road freight reimbursement policy for various States has been announced to enable States to move edible oils by road without any financial strain.
3. Depots have been opened at Sahibabad, Varanasi, Lucknow, Ludhiana, Karnal, Indore, Katni, Cuttack, Patna and Gauhati.
4. Refining units in backward areas and small scale sector have been encouraged.

The Corporation imported 19.3 lakh MT of cement, 1.81 lakh MT of sugar, 3.18 lakh MT of newsprint and 59,000 MT of white printing paper to meet domestic requirements of consumers and industry.

STC, as a part of its policy of strengthening supply base for exports, had embarked on several joint venture projects in the areas of meat products, leather goods, readymade garments, fruit juices and light engineering items. Units so established will be 100 per cent export oriented with buy-back arrangements with the foreign collaborators.

In addition, it proposes to have a good look at closed or sick units like National Tannery Co, Calcutta which possess basic export capabilities and lend helping hands in their revival. The proposal to reactivate a closed meat processing plant at Tundla is under active consideration.

Earlier Mr Pranab Mukherjee while addressing the annual general meeting on the 25th anniversary repeated the old themes that the STC must improve its exports of non-canalised items (in fact in 1980-81 non-canalised items exported exceeded canalised exports); that the STC must become more efficient, that it must play a greater role in the overall developmental efforts of the country; and so on. Apart from the purely ceremonial and formal aspects of these exhortations there was really nothing much that Mr Mukherjee had to say.

Since the STC is a trading organisation, it is absolutely vital for it to develop more efficient communication systems which will enable it to have its finger on the pulse of the international market. Trading is not conducted best under bureaucratic regimes except, of course, when dealing with non-market economics such as those of the Soviet Union and the eastern bloc. If the STC wants to really do the right thing by the country it must acquire a strong chairman who can carve out for the Corporation a degree of autonomy and free it from the ministry's all pervasive and ever present grip.

The need for alertness has become even more pressing now that the world trading environment has become so difficult. The point that the STC must realise—and realise quickly—is that in trading, as in love and war all is fair. There is no room for the shilly-shallying. As a first step towards helping STC attain its objective the Government would do well to appoint a full time chairman quickly.

Paradeep for Davy

AFTER THREE years of tortuous negotiations the contract to build the steel plant at Paradeep has been awarded to the Davy Corporation of Britain. The other contender for the project was Mannesman Demag of Germany.

The plant will have an initial capacity of 1.5 million tonnes to be raised later to three million tonnes. A substantial part of the steel that will be produced at Paradeep is meant for export under a buy-back clause in the contract.

Davy got the award, it seems, because it offered a superior financial package. It is reported that it also reduced its bid from $ 3,300 million to $ 2,800 million after its representatives discovered that Mannesman had offered to build the plant for $ 2,900 million.

The Davy offer lists equipment supplies from four countries including India. The other countries are UK, Germany and France. Davy will supply the equipment for blast furnace. The steel melting shop and the rolling mills will be supplied by Sahloemann Semag.

The Package

The financial package includes a British Government, grant of £ 100 million, a further £ 50 million in the form of a retrospective trade agreement, a French treasury loan of fr. 1,100 million, and a British export credit (at 7.75 per cent interest) to the tune of £ 488 million. In all between 55 and 60 per cent of the project cost is covered by the aid and soft loan package. A good bit of the remainder will be financed by Euro-dollar loans. The assessment is that the project will not have to bear an interest burden of more than 12 per cent on the total capital cost. The project commits to India a borrowing of $ 800 million from the Euro-currency market which will finance 20 per cent of the project cost.

Several questions are being raised on the viability of the project. First of all, the land where the plant is to be built is marshy. This will mean that sand will have to be pumped in to raise the level by at least two metres. Apart from this, at present there are absolutely no infrastructural facilities available at Paradeep. Since all these will also have to be built the total cost of the project will finally come to around $ 3,500 million at the very least. This is likely to make the investment per tonne of steel (as well as the cost per tonne) uneconomic. It is not very clear why, when other industrial nations are increasingly concentrating on expanding existing plants, India has chosen to go in for green site plants. Perhaps it is felt that the scandalous state of affairs regarding Bhilai and Bokaro expansion might be repeated yet again and that on the whole it would be cheaper to build a new plant !

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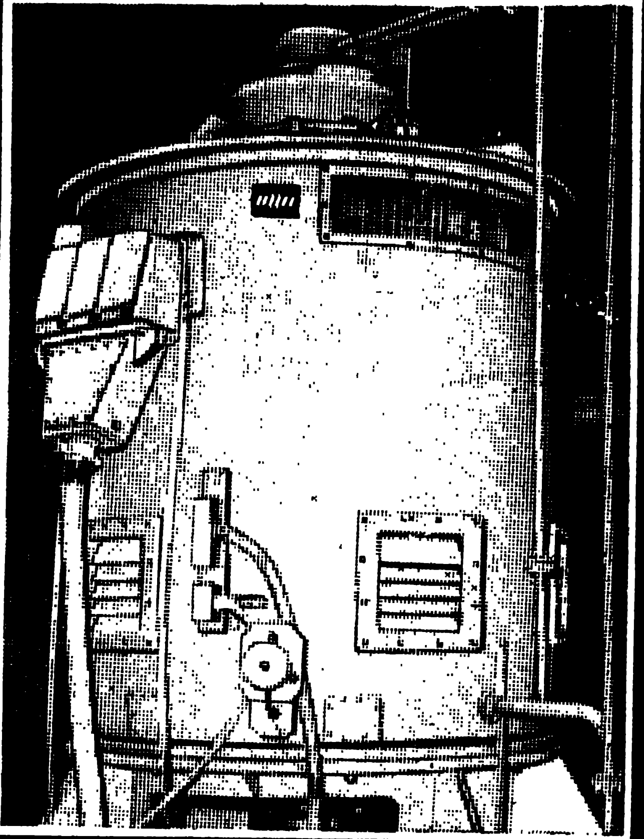

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Window on the World

Will Wall Street Be His Waterloo

V. Balasubramanian

WILL WALL Street be President Reagan's economic Waterloo ? The financial community identified with New York seems to be contemplating the possibility with cynical detachment. Its reactions range from amusement to undisguised scorn as the White House attacks it with accusations of not having kept faith with the administration's economic recovery programme after wringing the last cent of tax concessions out of it. Republican Senator, Howard H. Baker, the Majority Leader, recently declared what amounted to a cold war on Wall Street when he threatened that, if the financial community continued to mark down the prices of stocks and bonds while marking up interest rates, it will have to be prepared for "reprisals" from the administration in the form of "credit controls, reorganising the Federal Reserve, a wind-fall tax on interest income and wage and price controls." The fuming Senator did not realise that, in talking as he did, he was letting down with equal impartiality both the supply-siders and the Friedmanite monetarists in the administration who have been providing in fluctuating proportions the stream of economic advice that the President has been receiving from time to time. Worse still, he has only lent point to sneers such as the one by Peter G. Peterson, a prominent investment counsellor, who was Secretary of Commerce in the Nixon administration, that since "the Street is not a message, but only a medium which speaks only on tape—in prices and spreads—and these signals come from all over the world, blaming us for the implicit message is like the fat man blaming his obesity on the waiter".

In fairness to the financial community, it must be borne in mind that, while undoubtedly welcoming or even campaigning for the Reagan tax-cut package as an essential ingredient of a strategy to step up saving and the investment of capital in productivity, it has always been keeping its counsel on the supplysiders' claim that tax reliefs or incentives would stimulate the economy sufficiently in the short term for the natural growth in revenue being able to make up for the reductions in tax rates. Wall Street, moreover, has all along been showing a healthy respect for the budget projections other than those of the administration which has been predicting declining deficits for the next two years, leading to fiscal balance in 1984.

Small Talk from Washington

Even at a very early stage of the budget debate, estimates of the deficit for fiscal 1982 had varied from the administration's $42.8 billion to the Congressional Budget Office's $65 billion. The Conference Board, a non-partisan body, while placing this deficit within a range of $57.5 billion to $62.5 billion, warned that large increases in military expenditures and tax cuts would give the economy a "massive" fiscal thrust of $107.3 billion or 3.33 per cent of GNP in fiscal 1982 as compared with $ 34.8 billion or 1.25 per cent of the GNP in fiscal 1981. Another projection—this one by Data Resources Inc.—saw the budget deficit climbing from $62.5 billion in 1981 to $75.7 billion in 1984 and then proceeding towards $ 90.8 billion in fiscal 1986.

This statistical nightmare of a runaway fiscal imbalance over the years of the current Reagan Presidency and beyond is now being taken increasingly seriously as interest rates continue to rule high and the administration's anticipation that it would be able to borrow at an average of less than 10 per cent to finance federal deficits is being battered down by what is being described as "the greatest bear market in the history of the United States" which has provoked investment advisers and bond traders to declare that "any one who buys a bond today to hold for more than five years is out of his mind".

Crisis of Confidence

As the President readies himself to cope with this crisis of confidence in his economic recovery programme, the Director of the Congressional Budget Office is not making things easy for him by advising Congressmen that the federal budget deficit may even be as high as about $ 80 billion in fiscal 1982 and that if the President were to get close to keeping his promise of a balanced budget in 1984, he will have to secure additional economies in federal spending of the order of $100 billion. Ordinarily, the Director of the Office of Budget and Management cannot be happy with such talk, but, at the moment, David Stockman, who is himself convinced that even the Defence budget will have to be sliced sharply if the President's declared fiscal policy is to be kept on track, has need of all the arguments that he could muster for his fight with Defence Secretary, Caspar Weinberger, for the ear of the President.

Stockman, in fact, has been arguing until he is blue in the face for cuts of from $20 billion to $ 30 billion in Defence spending over the two years, fiscal 1982 and 1983, but he has so far been able to persuade the President to agree to a cut of only $ 13 billion over this period. Some observers have seen in this a victory for the Pentagon brass, but while the Defence Secretary may have won the battle over the size of the immediate cut in the Defence estimates, he has clearly lost the war for keeping the military budget "sacrosanct" from the Stockman axe.

Now that the ramparts have been breached Weinberger is bound to come under increasing pressure to relate the projected growth in Defence expenditure to the imperatives of the economic recovery programme. Already Congressional reaction to the President's gesture of pruning Defence spending is to treat it as merely symbolic and Reagan certainly will have to think again if he believes that the small cut he is accepting in Defence spending will be enough to influence Congress to go along with the large additional cuts he may be seeking in social programmes, including social security expenditures, for the purpose of convincing the financial community that his administration is determined to be in firm control of the non-inflationary course he has chartered for the American economy.

No Room for Manoeuvre

All the same, squeezed as he is between the Russian bear and the Wall Street bear, he will not have much room for manoeuvre unless he is prepared to take the initiative recasting his foreign policy so that the international political climate is changed in a way that encourages or even compels a retreat all round from current confrontational attitudes. It would be ironical, of course, if the money-changers on Wall Street are able to achieve what the anti-war protesters or peace-marchers in Western Europe are seeking to do, viz., arouse the sense of self-interest of nations to the senselessnes of an escalating arms race.

Meanwhile, assailed as it is by scepticism at home, Reaganomics has braced itself for yet another bout with its foreign critics when the International Monetary Fund and the World Bank began their four-day annual joint sessions in Washington on September 20. In its annual report, the Fund, while recognising the utility of monetary restraints for anti-inflationary programmes and resigning itself to the prospects of higher interest rates over a period when inflationary risks may persist, has nevertheless fixed a measure of responsibility on the Reagan administration's economic policies for some of the problems or difficulties which developing countries as well as America's OECD partners are facing already or may be confronted with in the coming years. The report suggests that if higher levels of interest rates continue to persist in the industrial economies, the fall-out could be quite adverse to the developing nations both in terms of increased cost of financing their requirements of foreign capital and in terms of safeguarding their balance of payments through a growth in exports to the developed countries. Third World spokesmen may therefore be expected to unite their voices with those of the representatives of West Germany, France, Canada and other industrial countries which have made no secret of their opposition to the Reagan administration's monetary policies on the ground that they are imposing high interest rates on the world economy.

This alliance of critics may also be expected to extend to attacks on Reaganite attitudes towards North-South issues generally and, in particular, the role of multilateral development assistance through the international institutions now functioning in that field. The Reagan administration has been giving every sign of wanting to exercise greater political influence or even control over the lending policies of these institutions just when it is also seeking to slash its financial commitments to them or their functioning. This conspicuous contradiction in its thinking has invited much sarcasm from various sources, including the Saudis, who have lately been putting more of their money into the development assistance pool, notably, through the IMF scheme for extended access to its financing facilities. Right now there is some apprehension that, in its quest for further spending cuts, the Stockman axe may take yet another whack at American commitments to the IDA sixth replenishment and should some such thing happen there could be an impressive alignment of both industrial and developing nations against American attitudes.

On the issue of IMF "conditionality" policies, however, the United States is likely to find strong and widespread support in the OECD group for its demand for greater rigour. The Fund's annual report is obviously sympathetic to this "disciplinary" approach. The reasons given are two. The extended access facility, which is expected to become an increasingly significant feature of Fund assistance, is intended to commit larger funds over longer periods to countries seeking support for relatively complex adjustment programmes which may frequently call for significant structural changes in their economies. In such situations, a strong conditionality package

International Coal Trade

Despite a slowdown in the rate of growth of coal exports this year, the longterm outlook for world coal trade remains bullish. The volume of coal traded internationally in 1981 *is expected to show only a modest increase over* 1980. *A mild winter and advance stockpiling of coal by electric utilities, as well as continued sluggishness in the European steel industry, minimized the net effect of labour disruptions in the United States and Poland—historically the world's largest exporters of coal. An improvement in economic activity in the coming year and continued diversification to coal as a primary energy source by the oil-dependent coal-resource-poor areas of the world should produce an acceleration in international coal trade in* 1982—*a trend that is expected to continue throughout the decade. The volume of coal exports is expected to more than double over the course of the* 1980s, *to a level of over* 455 *million metric tons per year by* 1990, *with the United States, Australia, South Africa and Canada emerging as the major suppliers.*

may help by providing both the motivation and the necessary disciplinary framework for adequate adjustment efforts.

Second, since the cost of external borrowing is likely to remain at higher levels in this decade especially in sharp contrast to the low or even negative real (i.e., inflation-adjusted) rates of interest during the 'Sixties and the 'Seventies, the Fund's contention is that it must assume the obligation and authority of a responsible lender to oversee efficiently the manner in which the borrowed funds are utilised for building the viability of the balance of payments position of the assisted country and, in particular, its debt-servicing capability.

Conditionality Principle

The Americans, however, may meet with opposition if, as suggested by leaked or inspired reports appearing in the press in this country, they are thinking in terms of extending the "conditionality" principle to the loans of the World Bank or its affiliate, the International Development Association. Assistance from these sources are essentially in the nature of finance for specific projects or particular programmes and any attempt to link this kind of lending to conditions relating to macro-economic aggregates or strategies would be inconsistent with the established criteria as well as the accepted concepts for the functioning of these agencies. Especially as the Reagan administration is being credited with intentions of using the multilateral development institutions as tools for opening up Third World economies to foreign investments or market-oriented supply-side management, the proposals sponsored by it may be expected to be warily regarded and, in some quarters, treated to spontaneous hostility.

Adding to the issues for debate at what will probably be a conference that may end up by being remembered for its controversies will be the campaign that is now going on in this country for the US dollar being returned to the gold standard. This theme has become more or less serious economics, with the supply-siders appealing from the clumsy and cumbersome unpredictability of monetarist discipline to the divine impartiality and inexorability of gold as the last best hope of mankind for refuge from an inflationary epoch. Although the well-entrenched monetarists within the Reagan administration are affecting to be casual about this crusade, a powerful lobby is building up in its cause and is finding spokesmen in such influential establishments as *The Wall Street Journal*. The President, who is stated to be in somewhat vague sympathy with the gold "nuts", has let his administration be talked into setting up a Gold Commission which is now examining the possibilities of restoring gold to a role in the domestic and international monetary system. It may be rash to assume that the Commission's agenda, even though it is so very pretentious, will in the event be simply talked out. In any case, since the IMF is currently obligated to advance the role of the SDR in the international monetary system, the member-countries can hardly ignore the gold bug that seems to have bitten a colleague who is the most prominent and possibly the most powerful in their club.

The Best Hedge

The argument for a gold standard may be that it is about the best hedge that we have against inflation. But has not gold itself often become the creature of inflation ? The volatility of the market price of gold has been one of the many unsettling experiences in international economic relations in recent years. Currently bullion traders in this country are coaxing investors to buy gold by pointing out to them that the price of this metal has been declining continuously for 18 months and this is therefore a good time for them to buy into a rise that cannot be long in coming. A study sponsored by the International Gold Corporation, the marketing arm of the South African Chamber of Mines, has framed a formula for forecasting gold prices, based on inflation, interest rates and political tension. Following this the Anglo American Corpn., a South African conglomerate that produces about 27 per cent of the non-Communist world's gold, has commissioned a report on the statistical probabilities for the price of gold in this decade.

This report projects odds of 99-to-1 against a gold price of less than $872 an ounce by 1987 and a 24 per cent probability of a price between $1,024 and $1,073, a 22.5 per cent probability of a price between $1,074 and $1.124 and a 17.5 per cent probability of a price of $1,125 or higher. Its author, Horace Brock, a mathematician and an economist, has assumed annual inflation rates of 9 per cent, real economic growth rates of 3 per cent a year and other variables for interest rates, political turbulence and the movements of the US dollar in the exchange markets. Since he does not claim to be also a seer, his peep into the future of inflation rates, for instance, may be only as reliable in its findings as the next man's. This possibility, however, does not seem to discourage him excessively, for he argues that daring to deal in a range of future uncertainties could be as good a method as any of hitting on a near-certainty. Against such reasoning one must of necessity be humble. Moreover, any one who is willing to take a bet on world inflation rates averaging only nine per cent over the next six years deserves our gratitude for his message of good cheer.

Club-of-Three Idea Gets Mixed Reaction

THERE HAS been a mixed reaction to suggestions that the USA, Japan and the EEC hold regular trade consultations. The idea is not new, but at the economic summit in Ottawa in July, it was revived. Now, Washington's roving trade ambassador, Bill Brock, has already issued invitations for a session to discuss the idea in New York on October 17. Mr Brock met with some approval in Tokyo, but the Europeans are more guarded. The main argument against is that it would carry connotations of a superclub. The objective is quite clear where the Americans are concerned. The triangle USA-Japan-EEC is the hub of world trade, accounting for the lion's share of international trade in industrial goods The volume of trade and its significance for the individual national economies naturally makes for interdependence. The problems of the one must automatically affect the others as well.

The United States can be likened to a developing country over its trade with Japan (America supplies food and raw materials and buys industrial goods), have bolstered demands for protectionist measures. Washington has already successfully prevailed on Japan to impose self-restrictions for its auto exports to the USA. But since this has led to apprehension in Europe, Washington feels that the time has come to hold the envisaged tripartite consultations. But the response has been lukewarm. Japan's Industries Minister Tanaka has agreed in principle without setting a date.

Although the Japanese fear that they will be treated as scapegoats in such talks they prefer to play for time rather than irk the Americans by putting up resistance.

Tripartite consultations, insiders say, would not only add to the confusion but they would also smack of a "super-club" that must make outsiders mistrustful. Canada, for example, is bound to be miffed about its exclusion -especially in view of the fact that its problems with Japan are the same as those that plague Europe and the USA. Asks a European trade expert : "Where are we to draw the line ? The idea sounds more attractive than it really is."

(*Handelsblatt*)

Cyprus Comes Alive

CYPRUS IS on the road to recovery. Within less than 20 years this island State in the Mediterranean had to undergo two traumatic experiences, one, the struggle of independence from the British and the other, the Turkish invasion and the loss of a large chunk of its territory to the Turkish Cypriots disproportionate to their population. Yet it is the quality of its people that has enabled the country to stand on its feet again. Since independence in 1960 to before the Turkish invasion in 1974, Cyprus had achieved marked economic growth mainly through the expansion of tourism, modernisation of agriculture and promotion of manufacturing industries. All this achievement was shattered by the de facto partition of the country as a consequence of the Turkish invasion. The Government had to put through an emergency economic plan to resettle the 200,000 displaced persons and reactivate the economy.

Boost to Agriculture

After independence agriculture had received a boost through the introduction of scientific farming and increase in the area under agriculture. Not only had Cyprus become self-sufficient in certain crops but also the value of its agricultural exports in 1973 had increased six times over its pre-independence figure. The partition of the island has resulted in the loss of rich farm land, citrus and olive groves and potato producing areas. The farmers had therefore to be moved to new areas and commercial crops such as vegetables introduced in place of cereals. Output in 1980 over 1973 had risen by 53 per cent and exports had almost doubled in value. Partition had taken away over 47 per cent of livestock which has been more than replenished and it has become possible for the island State to export meat.

Industry had a similar set-back because of the partition. The second emergency economic plan laid stress on economic reactivation and promotion of capital-intensive industries.

But the most important growth area both before the partition, as well as after, has been tourism. It is the fastest growing area and a major foreign exchange earner for the island State. From scratch, before independence, hotel capacity had reached 15,000 beds in 1973. Partition lost 67 per cent of tourist assets to the Turks with the result that capacity had shrunk to hardly 5,000 beds. During the five years after the Turkish invasion tourist industry has bounced back and tourists visiting Cyprus in 1980 had exceeded in number—the pre-invasion record of 264,000.

India which has acquired a fair amount of expertise in hotel industry will be lending a helping hand in the promotion of tourism with the construction of a hotel in Limassol, the capital of Cyprus. The cost of Lotus Ashok, which the ITDC will be erecting, is estimated at Rs 100 million. It is a joint venture with the Cypriot company Lotus Hotels Ltd. ITDC, apart from taking part in the equity, will provide technical services in planning, designing and overall coordination of construction of the hotel as well as its managerial services.

The emergency Economic Plans have transformed the Cypriot economy from the shambles it was in 1974 to a revitalised economy capable of standing on its feet. Apart from the inherent capacity of the people to react to emergency situations, this good performance was due also to certain external circumstances such as the boom conditions in West Asian markets which absorbed large quantities of Cyprus product. The Lebanese civil war has sent many companies to operate in Cyprus. There was substantial foreign aid forthcoming from the European countries. And nature also was kind with abundant rainfall which enabled larger agricultural exports at handsome prices to foreign markets.

All-round Improvement

All this has resulted in Cyprus having achieved an average economic growth rate of 10 per cent per annum between 1975 and 1980. The Gross Domestic Product grew by 13.2 per cent in real terms. Real wages increased by 20 per cent during the years 1976 to 1980. The per capita income improved, which has been instrumental in Cypriots' living conditions coming to satisfactory international standards. Unemployment, which was 35 per cent immediately following the Turkish invasion, is now down to two per cent.

But despite the whopping foreign exchange earnings from tourism or significant growth in exports, the trade gap has been widening. The oil import bill has increased five-fold since 1973 and now constitutes about 19 per cent of the total imports into the island State. Inflation has raised its ugly head. During 1975-78 inflation was at five per cent per annum. It had risen to 13.5 per cent in 1980. The Cyprus economy is thus getting overheated.

Point of View

Fishing Industry in India

B. Dasaradharami Reddy

Fish has superior nutritional properties. It is relatively cheaper and could easily become a key element in man's fight against hunger and malnutrition the world over. The author believes that India, with its vast potential, should accord high priority to this industry to increase the nutritional level of proteins in the Indian diet and also to earn the much needed foreign exchange.

PROTEIN DEFICIENCY is the world's most serious human nutritional problem today. About 40 per cent of the world's population suffers from protein malnutrition. Widespread malnutrition is very common in the Third World. In India about 79 per cent of the population is suffering from malnutrition and protein deficiency.[1] To solve this problem the available food sources should be explored, exploited and properly distributed. The global oceans, which constitute nearly seventyfive per cent of the surface of our planet, are potentially rich sources of protein yet only about 10 per cent of the World's animal protein and one per cent of world's food supplies come from the oceans.[2] The main reason for this is our ignorance of oceanography. Probably we know more about other planets and stars than our oceans. With a high degree of easily digestible proteins of superior nutritional properties, fish is a potential agent for combating malnutrition. Moreover fish is a relatively cheaper protein food which the common man can afford, and will increasingly be a key element in tbe world's fight against hunger and poverty. The purpose of this article is to highlight the role of fishing industry in the Indian economy.

Fishery resources of India are either inland or marine. India has vast inland water resources spread throughout the country. The fresh water resources comprise riverine systems, reservoirs, ponds and tanks, ox-bow lakes etc., whereas brackish water resources comprise estuaries and lakes and backwaters. The total length pf the main rivers and their tributaries, as computed by the Central Inland Fisheries Research Institute (CIF/FRI), Barrackpore, is about 2,000 Km. Nearly three million hectares of waterspread area is available in the reservoirs. The extent of derelict freshwater fishery resources is appropximately 0.4 million hectares. It has been estimated that estuarine waters have a spread of 2.6 million hectares.[3]

Marine resources happen to be one of the richest wealths India is blessed with. The marine resources comprise the two wide arms of the Indian Ocean and a large number of gulfs and bays along the coast. India has a coastline of 5650 Km. with a continental shelf of 415000 sq. Km. Nearly one-fifth of the world's marine area is at our disposal. It is a rich depository of valuable marine fauna. India's marine resources potential has been estimated at 11 to 14 million tonnes.[4]

To suit local environmental and biological requirements, several distinct types of fishing craft and implements have been evolved in the country. The main means of production are: (a) Non-mechanised boats; (b) mechanical crafts; and (c) bigger steel vessels. The fleet of non-mechanised boats is still of considerable importance. In 1978, the Indian fishing craft consisted of a fleet of 120,000 indigenous crafts, 14,282 mechanised boats and 60 large fishing trawlers.[5]

Table I shows the trends in fish production. Against a base level production of 752,000 tonnes in 1951, the production is reported to have reached a level of 23.69 lakh tonnes in 1978 with an average annual growth rate of about eight per cent. This growth rate is very low compared to the world's average growth rate of about 15 per cent. The catch in 1978 was lower by 6.7 per cent compared to its previous year. The share of inland fisheries has increased from 29 per cent in 1951 to 36 per cent in 1978. About 66 per cent of the marine catch is landed in the west coast and 34 per cent in the east coast. India is the eighth biggest fishing country in the world but the present catch is very low compared to its potential especially with the extension of the Exclusive Economic Zone (EEZ) upto 200 miles. The Indian Ocean Expedition has estimated that only 1 to 8 per cent of the fish available along the eastern and western coasts is being caught at present. India's share in the world's production in 1972 was only 2.5 per cent. It is well known that fishing fleets of far off countries steam all the way to the Indian Ocean and carry away substantial quantities of fish from our doorsteps.

If modern methods of catching fish are employed, it is possible to increase the fish catch by 20 times. Moreover, the application of fish culture can improve the supplies of fish. Exploitation of offshore and deep sea waters by our fishermen can add substantially to the existing fish catch. It seems there is a wide gap in the

TABLE I

Production of Fish in India

(in '000 tonnes)

Year	Marine	Inland	Total
1951	534	218	752
1956	718	294	1012
1961	684	277	961
1966	890	477	1367
1971	1162	690	1852
1972	974	666	1640
1973	1210	748	1958
1974	1472	783	2255
1975	1478	850	2328
1976	1525	875	2400
1977	1610	930	2540
1978	1515	854	2369

Source :

(1) Government of India, Indian Agriculture in Brief: 17th Edition, 1978, p. 118.

(2) Government of India, Draft Five Year Plan: 1978-83 (Rev), 1979, P. 276.

number of vessels required to exploit fully our fishery resources. There is an urgent need to introduce more mechanised fishing boats and vessels without affecting the interests of small fishermen. Government of India recognised this fact and it has taken number of steps in development planning. The policies formulated by the Government of India are to be properly implemented so as to achieve the goal.

Determining Factors

Fish in one form or the other, has been used as an article of human diet since pre-historic times. The proportion of fish in human food is highly fluctuating, depending upon various circumstances-- transport facilities, degree of processing, methods of utilisation, the attitude of the consumer, prices as compared to those for meat, religious considerations, magnitude of each country's own fishing and the degree of supplementation through importation. All these factors and several others are interrelated and have some effect on the final consumption of fish. In a country like ours, where per capita intake of meat and milk is small, fish assumes importance as a supplement to ill-balanced cereal diets. The National Commission on Agriculture has estimated that about 70 percent of the people of India are fish eaters.

According to the concept of balanced diet a person's optimum norm of fish consumption on an average per year is 18.2 Kg., on condition that a sufficient amount of other animal products are available (Institute of Nutrition, USSR Academy of Medical Sciences). The per capita consumption of fish in India reached a level of 4 Kg. per annum in 1975 compared to 2.25 Kg. in 1966[6] and 1.53 Kg. in 1949.[7] It is very low compared to many other countries' per capita consumption and according to the concept of balanced diet. The National Commission on Agriculture has visualised 8 million tonnes of fish production by the year 2000 AD. It has felt the need to attain this target, so that the per capita consumption of this low cost protein food could be raised from 4 Kg. per annum to the minimum nutritional requirement of 11 Kg. per annum.[8]

The level of consumption in different States varies widely. Per capita consumption is relatively higher in the coastal States the highest being in Kerala. In urban areas where the people are comparatively well to do, the consumption of fish is also higher. About 70 per cent of the total fish catch is consumed fresh, 12 per cent sundried, nine per cent salted, five per cent frozen and canned and four per cent converted into fish meal.

The importance of fishing industry may be seen from its contribution to our national income. Table II gives the contribution of fishing industry to India's National Income.

TABLE II

Contribution of Indian Fishing Industry to Net Domestic Product at Factor Cost

(At current Prices)

	Amount in Rs Crores	Primary Sector's NDP	As % of Total NDP
1970-71	229	1.3	0.7
1971-72	246	1.4	0.7
1972-73	285	1.4	0.7
1973-74	367	1.4	0.7
1974-75	410	1.4	0.7
1975-76	515	1.9	0.8
1976-77	522	1.8	0.8
1977-78	597	1.9	0.8

Source : RBI, Reports on Currency and Finance: Vol. 2, 1978-79, Pp. 6-7.

In 1977-78 the contribution of fishing industry to Net Domestic Product (NDP) was Rs 597 crores as compared to Rs 229 crores in 1970-71. The simple average growth rate per annum during the reference period was about 23 per cent. Its share in the primary sector's NDP has increased from 1.3 per cent in 1970-71 to 1.9 per cent in 1977-78. There is a marginal increase in its share in total NDP. Since there is an upward trend in its share both in primary sector's NDP and total NDP, it can be inferred that the growth rate in fishing industry's output is greater than the growth rate in the primary sector and all sectors put tpgether. There is every possibility of increasing further the contribution of fisheries to NDP if proper care is taken in the allocation of financial resources to this industry inour development plans.

Indian fishing industry has been able to emerge as one of the top ranking foreign exchange earners of the nation and today fish products rank sixth amongst the top exchange earners. India exports dried fish to Sri Lanka and dried prawns to Burma and frozen shrimps, frozen lobster tails, frozen froglegs and canned shrimps on a large scale to the USA, Japan, Canada, France, the UK, Australia and West Germany. Frozen items account for 86 per cent of the total marine products exported by the country. Japan prefers the 'shell on' frozen shrimp, the US. demand is for 'peeled' frozen, while Australia asks for 'cooked & packed' frozen. Prawn is a major constituent of the marine product exports from India and accounts for 87 per cent of foreign exchange earnings of the fishing industry which in turn constitute only less than nine per cent of our marine catch. The USA and Japan are the two major importers of our prawns. Table III shows the trend in exports of fish and fish products.

TABLE III

Fish and Fish Products in India's Exports

Year	Quantity (Million Kgs.)	Value (Rs Crores)	As % of Total Exports
1950-51	19	2.5	0.41
1955-56	21	3.8	0.63
1960-61	20	4.6	0.70
1965-66	15	10.7	0.84
1970-71	33	30.5	1.98
1971-72	NA	44.6	NA
1972-73	35	54.5	2.76
1973-74	48	89.2	3.53
1974-75	39	66.2	1.99
1975-76	52	127.2	3.15
1976-77	59	180.6	3.51
1977-78	63	174.3	3.22
1978-79	77	223.8	3.91
1979-80	76	249.1	3.88

Source: Government of India, Economic Surveys, Different Issues.

Fish and fish products have earned foreign exchange worth Rs 249 crores (by exporting 76 million Kg in 1979-80) as against Rs 2.5 crores in 1950-51. There is a four-fold increase in quantity exported but the increase in value is phenomenal due to increase in international prices for fish and fish products. The contribution of fish and fish products to total exports is only 0.41 per cent in 1950-51. Its share has reached a level of nearly four per cent of total exports by 1979-80. It is the small and marginal enterpreneurs who have, with their limited resources builtup India's fish products exports industry to its present status of a major export earner. India's share in world exports of fish and fish products was 3.2 per cent in 1970 and reached a record level of 3.9 per cent in 1976 and there was a fall to 3.3 per cent in 1979 (Table IV). It is possible to further improve the performance of fishing industry onthe exports front by diversifying the sectoral composition and exploring the new international markets.

TABLE IV

India's Share in World Exports of Fish and Fish Products

(Value in Million US Dollars)

Year	World	India	India's Share (%)
1970	2121	41	3.2
1974	4669	93	3.1
1975	5117	132	3.4
1976	6328	189	3.9
1977	7658	190	3.2
1978	9378	255	3.8
1979	12058	328	3.3

Source : Government of India, Economic Survey, 1980-81, P. 127.

Fishing industry has developed into highly labour intensive sector. Fisheries provide employment for about a million fishermen compared to 400,000 in 1951. It is estimated that fishing industry will provide employment to about 1.21 million fishermen by 1982-83. In addition, a large number of people earn their livelihood from associated vocations such as net making, boat carving, ice manufacturing, salt making, fish processing, fish transportation, basket-making, etc. The fishermen population is scattered in 17,000 fishing villages.[9] Even though the contribution of this community to the national income and foreign exchange earnings is substantial, their socio-economic condition is still poor and they live on the verge of poverty. Improvement of the rural economy has very high priority in our economic programmes. The lot of the farmer whether he grows crops on land or in water, has to be improved.

High priority must be given for the development of fisheries because of the need to raise the nutritional levels of protein deficiency in Indian diet and to earn much needed foreign exchange. The problems of poverty and malnutrition can be solved partially through a 'Blue Revolution'. In the process of development of fishing industry care should be taken to eliminate capitalist tendencies and to safeguard the interest of the poor fishermen. Appropriate labour-intensive technology is to be developed. A separate wing should be established in the proposed National Bank for Agricultural and Rural Development, for meeting all the financial requirements of the fishing industry.

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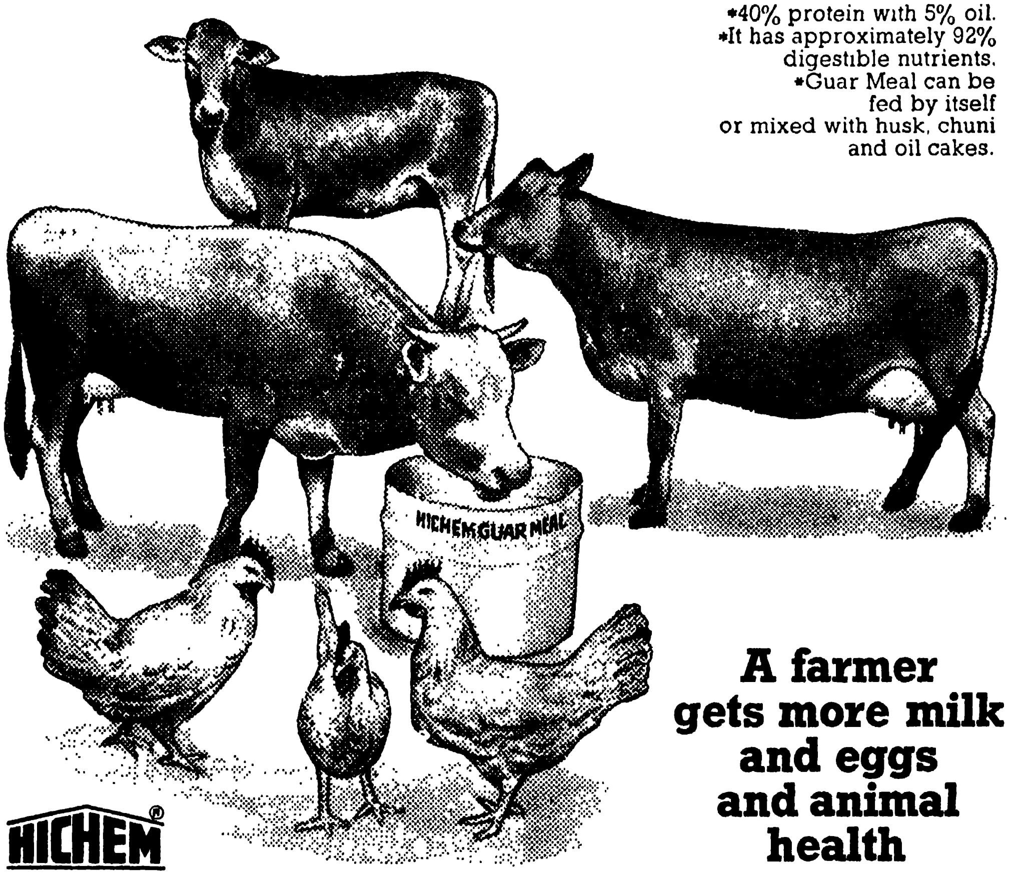

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What Makes Korea Tick?

Why Korea Succeeded Where India Failed

Swaminathan S. Aiyar

A SOUTH Korean publication starts with the following lines : "Since 1963, the Korean Government has devised four five-year plans, and as a result the country had an unprecedented economic boom." In India we have devised six Five-Year Plans since 1950, and there is still no boom in sight. The Korean War left South Korea in as bad an economic plight as India. There was no shortage of Indian commentators who regarded India as an infinitely superior country, with far better economic prospects. But India has remained mired in stagnation, while South Korea has emerged as the superstar of the developing world. There were sneers aplenty in India when Korea opted for an export-oriented economy, depended on foreign money for 82 per cent of its savings, and depended largely on the USA for its defence. The sneering Indian intellectuals believed that South Korea will never attain self-sufficiency.

Korea a Donor

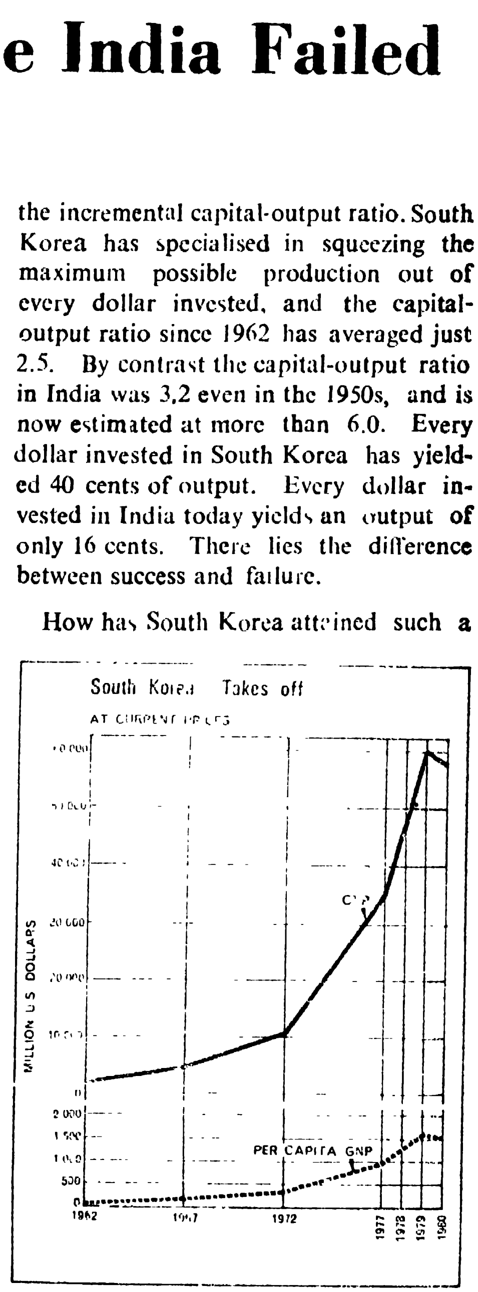
Three decades later, the shoe is on the other foot. South Korea has long ceased getting aid, but India is looking for more aid than ever before, especially from the International Development Agency, the soft-loan affiliate of the World Bank. And the ultimate irony is that South Korea itself has now become one of the donors to the IDA, so that it is now indirectly providing aid to India. Those who sneered at South Korea in the 1950s have proved to be totally wrong in their analysis of what a developing nation should do. The Nehruvian pattern has proved a failure, while the Korean one has been a resounding success.

Different Results

What explains the divergence ? In many ways, Korea and India had the same development aims. Both wanted growth with social justice. Both saw industrialisation as an essential tool of rapid development. Both embraced planning and Government guidance for the economy. And yet the results have been so different in the two countries. India has had little growth and less social justice. Korea has enjoyed runaway growth averaging nearly 10 per cent since 1962, and has combined this with one of the most egalitarian income-structures in the whole developing world. India's industrialisation has been patchy and halting, while Korean industry has been surging forward at 20 per cent per year. Unemployment keeps growing in India with half the population below the poverty line. But Korea has gone from unemployment to a labour shortage, and its per capita income is nearly ten times as high as India's.

The main difference between the two can be summed up in one word– productivity. South Korea has the highest productivity in the world, as measured by the incremental capital-output ratio. South Korea has specialised in squeezing the maximum possible production out of every dollar invested, and the capital-output ratio since 1962 has averaged just 2.5. By contrast the capital-output ratio in India was 3,2 even in the 1950s, and is now estimated at more than 6.0. Every dollar invested in South Korea has yielded 40 cents of output. Every dollar invested in India today yields an output of only 16 cents. There lies the difference between success and failure.

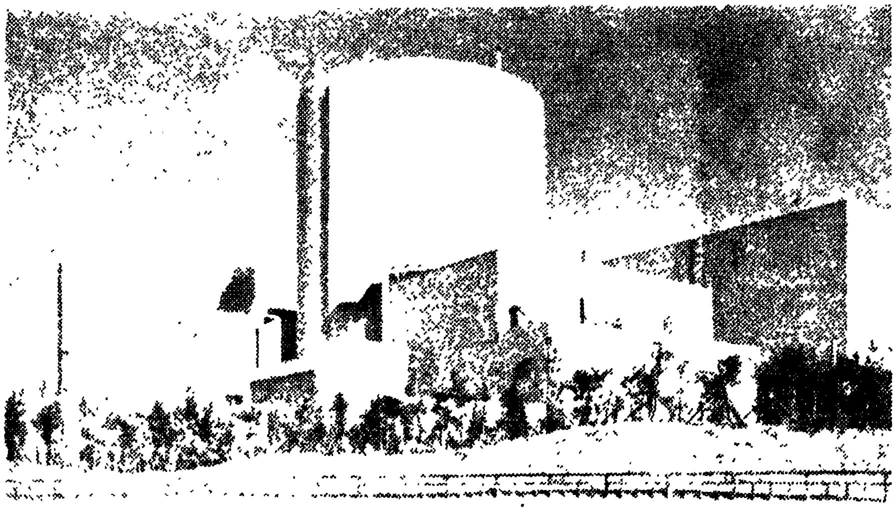
How has South Korea attained such a



high level of productivity ? One of the most important reasons is that it has opted for an export-oriented system, and export industries have to be efficient to survive global competition. And once the culture of efficiency is ingrained in such a large sector, it inevitably spreads to other purely domestic sectors like agriculture and infrastructure. The most important aspect of export-orientation is not that it yields foreign exchange, but that it suffuses the whole economy with a relentless drive towards cost reduction, technical improvement, production maximisation, and aggressive marketing. It is this vital truth that has escaped our simplistic economists in India who favour import substitution. These economists would like exports to be limited to a small sector to pay for inescapable imports. But a totally protected domestic market encourages every sort of inefficiency, and it is impossible to have an efficient export sector bang in the middle of a highly inefficient domestic sector.

The era of planning started by Pandit Jawaharlal Nehru laid an overwhelming emphasis on savings, investment, and the use of taxation and the public sector to accelerate savings and investment. What the model totally neglected was productivity. It coolly assumed that a highly protected economy, with a dominant public sector, would be as efficient as a highly competitive private sector economy. The Korean example shows how gravely mistaken this assumption was. Between 1962 and 1977, the rate of savings in Korea averaged a gross rate of 25 per cent of GNP, only marginally higher than India's rate in the last few years. But Korea in that period grew at the rate of nearly 10 per cent per year, while we remain stuck at the Hindu growth rate of 3.5 per cent.

Myopia is not an Indian monopoly. It is shared by a very large number of developing countries, including even South Korea in the 1950s. It was only in 1962 that the Korean Government decided to shift from the standard import-substitution model to an export-oriented one. Interest rates were jacked up from 12 per cent to 30 per cent to improve money management and encourage savings. As a result, savings doubled nearly every year from 1965 to 1968. The Government decided to seek foreign capital, though in general it wanted to give the foreign party only a minority shareholding. Thus most of the foreign money came in the form of loans— only ten per cent of the 19 billion dollars that entered Korea till 1980 took the shape of direct foreign investment, the rest being public and private borrowings. This reliance on foreign savings means that 83 per cent of all invested capital in 1962 came from abroad, a dependence that was considered suicidal by many. But it proved to be an ideal recipe for success. Provided only that you can convert capital into production efficiently, borrowing capital is not a sin but a virtue.



Atomic Energy Plant at Kari

Educated Work-force

Opening up an economy to foreign investment and trade is by itself no guarantee of rapid economic growth. Several countries have tried the open door policy, and many have failed or achieved very limited success. Why, then, has Korea succeeded ? The answer lies in three factors which go to the very roots of development.

One is education. Only an educated work-force can be a truly productive one. In Korea, literacy was 80 per cent even in the early 1960s. Learning has always enjoyed a high value in the country. So in the 1960s Korea enjoyed both an educated work-force and an ample pool of trained managerial talent. Both are scarce commodities in most developing nations, and both are essential for performing the kind of miracle Korea has.

The second factor has been disciplined, hard-working workers. Korea is an autocratic state which does not tolerate labour indiscipline. Holidays are few and far between, surplus workers are never hired just to keep up employment, and the eternal threat of an invasion from the North is a great psychological stimulus to discipline. Kerala in India has almost as high a literacy rate as Korea, but is an economic disaster, and the principal reason for this is that trade unions in Kerala are interested in extorting the maximum money for the minimum work, in safeguarding surplus jobs at any cost, in resisting modernisation or anything similar which might improve productivity, and in simply lowering management morale to the point where it becomes ineffective. India's labour laws and attitude to labour encourage slacking, and workers welcome nationalisation of their industries as this will ensure them lots of money for little work. But we have the consolation in India of having a working democracy and civil liberties on an infinitely larger scale than in Korea.

The third factor which made the Korean boom possible was land reform. As early as 1949 extensive land reforms were implemented which made millions of peasants proprietors of small plots of land. This sowed the seeds of an egalitarian society, for it ensured a distribution of not just income but of assets. Agricultural productivity shot up, assisted again by the education and discipline of the Korean farmer and worker. Even this was not enough, and the Korean Government launched the Saemaul Undong—a community development programme—to rural infrastructure, water supplies, and social overheads, apart from subsidies for farm inputs and free extension services. India has tried to do all these things too, and fallen flat on its face. One reason is simply its inefficiency and poor delivery system. The other is the existence of vested interests who have persistently sabotaged land reform, monopolised rural credit and inputs, and usurped funds intended for the small and poor farmers.

Important Factors

These three factors – high literacy, disciplined labour, and an egalitarian asset base—formed the main-spring which launched Korea to success. Its post 1962 policies could not have succeeded but for these basic factors, which are missing in far too many developing countries They made the sharp rise in productivity possible in the first place. But high productivity was sustained by several other dynamic policies. One of the most important of these was a constant attempt to shift labour and capital out of low productivity areas to high productivity areas. In the first instance, there was great emphasis on agriculture and labour-intensive industries like textiles. But the moment these sectors had been developed, the decision was taken to move out of these into more productive ones like steel, shipbuilding, electronics and heavy chemicals. The share of agriculture in GNP dropped from 33.1 per cent in 1962 to 19.5 per cent in 1979, and its share in exports from 23 per cent to 3.5 per cent. By contrast, the share of manufactured goods in exports has shot up from 27 per cent in 1962 to 92.5 per cent in 1980.

High Productivity

Korea achieved full employment by going in for increases in productivity. In India we have sought to increase employment by reducing productivity—a surefire recipe for eventual bankruptcy. We subsidise sectors with abysmally low productivity like handlooms and khadi, we resist the mechanisation of fishing or looms, we refuse to modernise our obsolete port facilities, and all in the name of employment. We have 50,000 surplus workers in Coal India and hundreds of thousands more in other public sector departments in the name of employment. We keep alive all sorts of sick industries through massive injections of funds, all in the name of employment. The net result, predictably, has been massive unemployment. There is a basic economic truth that Korea has grasped and India has chosen to ignore- that growth and social justice can come about only through an inexorable drive for higher productivity. This has to be combined with other measures like land reform and minimum wages to ensure a proper distribution of the fruits of growth.

The sharp rise in oil prices in the 1970s dealt severe blows to Korea. The deterioration in its terms of trade in 1974 wiped a clear 4.5 per cent off its national income. But instead of trying to cut down imports, Korea decided to open up its economy even more, expanding exports and liberalising imports. The strategy worked wonders. Exports doubled between 1974 and 1976, and Korea won 15 billion dollars worth of construction contracts in the oil-rich countries. Then came the second oil shock of 1979-80. This affected Korea more than the first, and GNP fell by 5.7 per cent last year. Even exports declined in real terms. But once again Korea has responded with further liberalisation, and the import liberalisation percentage is scheduled to rise to 90 by 1985. It is abandoning its earlier inhibitions about direct foreign investment and cent per cent foreign shareholding is now permitted in a wide range of priority industries.

One important point needs to be made. Economists are often fond of posing export-orientation and import-substitution as two diametrically opposed strategies. South Korea shows that this is simply not true. Its emphasis has been on exports. But the very fact of rapid growth has quite automatically created a fast-expanding domestic market. The export boom has itself sparked off a boom in production for the domestic market. There may be some countries where the export sector is divorced from the internal one, such as Nauru (where rock phosphate is simply extracted mechanically and exported).

In such cases the export sector may be an enclave with few multiplier effects. But wherever the accent is on manufactured exports, the forward and backward linkages are so widespread that the export and domestic markets become inextricably linked. An all-out attempt to produce goods for the domestic market efficiently will automatically generate competitive export surpluses as well. And an all-out export drive will yield competitive domestic goods. The spread of productivity and efficiency as a way of life is critical. If you can solve your problems of internal production efficiently, no special export drive will be needed—the spread of productivity will take care of that.

The Winning Gambits

T.C.A. Srinivasa-Raghavan

WHEN LAGGARDS in economic development are being admonished, they are usually asked to look to, if not emulate, the example of South Korea. From a GNP of $2,315 M. in 1962 to $57,427 M. in 1980—even after accounting for a sizeable inflation rate (1980 = 219.1 with 1975 = 100) —is a long way to come. An economy which averaged a growth rate of 8.4 per cent till 1980 (though 1980 itself was a disastrous year with a minus 5.7 per cent growth) deserves to be given a round of applause.

There have been hisses of disparagement of too. One major criticism has been that the South Korean economy is an appendage of America with whom it will swim or sink. If proper integration into the world economy is to be interpreted as being a sign of critical over-dependence nothing further needs to be said. But if one were to take a more pragmatic view, such as looking at the condition of the people, then, perhaps, a great deal can be said for the path that South Korea has chosen.

Robert Frost once wrote that when he came to the cross-roads, he took the path less travelled by. South Korea has done just that—and it does not seem to have come to any obvious harm. On the contrary, it has done better than most. In its experience, then, are at least a few lessons.

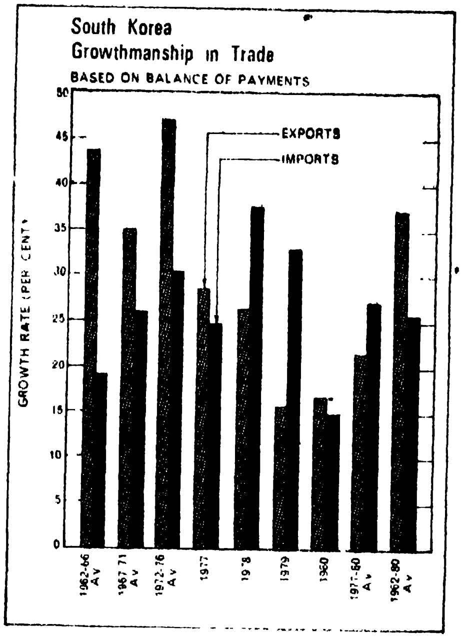
A close scrutiny of its external economic relations is therefore instructive.

South Korea's success in achieving high rates of growth can be attributed in a large measure to two things: liberal capital inflows (by allowing foreigners to invest and even large borrowings abroad) and switching from a strategy of import-substitution to export-promotion.

The process began in 1962. By 1980 the inflow of foreign investments had reached $1.16 billion on the basis of actual arrivals. On the basis of commitments the figure was even higher: $1.22 billion for 822 projects.

The Korean Government started the ball rolling in 1962 when it authorised an investment of $0.57 million for a single project. Since then there has been a steady inflow. Foreign firms which have invested in South Korea now include the General Motors, Caltex, Union Oil, Dow Chemicals, Sanyo, Toshiba, Mitsubishi and Teijin, to name just a few.

During this period Japan, the largest investor in Korea, accounted for $641 million or 52.5 per cent of the total foreign investment, followed by the United States which accounts for 22.9 per cent, the Netherlands 8.5 per cent, West Germany 1.9 per cent, UK 1.7 per cent, Switzerland 1.4 per cent and France one per cent.


South Korea
Growthmanship in Trade
BASED ON BALANCE OF PAYMENTS

Of late, the Korean Government is trying even harder to woo foreign capital. It has now begun to provide several incentives. The qualification for foreign investment has been relaxed, the domestic markets to foreign investors has been opened up, the policy with respect to establishment of branches of foreign banks has been made more flexible and managerial autonomy to commercial banks has been granted. The new policies have thus lowered the minimum permitted investment to $100,000 from $500,000. Simultaneously, the types of projects acceptable for foreign investment have also been expanded to include large scale industries which the domestic sector cannot set up by itself owing to scarcity of capital. The areas where foreign investment is allowed

TABLE I

Exports by Product

	Total Exports (in US $ million)	Per Cent of Annual Total			
		Agricultural products	Marine products	Mining products	Manufactured goods
1962	56.7	23.0	22.0	28.0	27.0
1967	358.6	4.7	14.7	10.5	70.1
1972	1,807.0	2.9	7.6	1.8	87.7
1977	10,046.5	4.1	7.4	0.9	87.5
1978	12,711.1	4.0	5.4	0.7	89·9
1979	15,055.5	3.5	5.7	0.7	90.1
1980	17,504.9	2.6	4.3	0.8	92.3

now include the manufacture of machinery, metals, electric and electronic goods, chemicals and export-oriented industries. Tax holidays are also allowed.

The other instrument of the Korean strategy—export promotion—has also paid handsome dividends. Exports from Korea increased by a good 37.4 per cent during 1962-80 (see chart p. 648). Thus, whereas in 1962 total exports amounted to a meagre $56.7 million, by 1980 export earnings had gone up to $17.5 billion. The commodity composition of Korean exports has also undergone a sea-change. In 1962 manufactured goods accounted for just 27 per cent of the total. By 1967 the share of manufactured goods had increased to 70 per cent. Since then it continued to go up steadily with the result that in 1980 their share was slightly over 92 per cent. Correspondingly, there has been a decline in the shares of agricultural, marine and mining products. Table I shows the dramatic change that has taken place in the export basket.

Growth in Imports

The export drive was not achieved without the corresponding increase in imports, something in which the Koreans take pride. The growth rate of imports was 25.7 per cent for the entire period of 1962-80 (See chart). As can be expected, the item which accounts for the lion's share of Korean imports at present is oil. In 1962 Korean oil imports were virtually negligible at a value of $539,000. By 1980 this figure had gone up—as indeed it has for all oil importers in the world—to a colossal $5.6 billion. An analysis of Korean imports shows the vulnerability of South Korea where raw materials are concerned. Being a country with very little natural resources Korea has to import large amounts of natural rubber, wood, lumber, pulp, raw cotton, iron and steel scrap and ingots. The switch from an agro-based economy to an industrialised one has also meant large imports of wheat. Total imports in 1980 stood at $22.3 billion against $390 million in 1962.

Korea's major export market is, not

Feeding Koreans

Korea has been self-sufficient in rice and barley, the two major foodgrains, since 1975. In 1979 Korean farmers produced a record 5,565,000 metric tons of rice and 1,058,000 metric tons of barley. The basic agricultural policy for the new economic plan period calls for a continued self-sufficiency in rice and barley and increase in the production of other grains. Wheat, soybeans and corn will continue to be imported.

The full domestic supply of rice was achieved by the creative work of agricultural specialists who succeeded in developing new high-yield rice varieties. Furthermore, the New Community Movement has given added impetus to more efficient agricultural production. An adequate supply of fertilizer and increased irrigation work contributed much toward the higher rice yield, as did extensive programmes to consolidate paddy fields throughout the country for more efficient land use.

Efforts to diversify crops and to locate factories in rural areas have helped the farmers increase their income. The main farm products after rice and barley include pulses, sweet and white potatoes, radishes, onions, chinese cabbage, peppers, soybeans, wheat, corn, apples, pears, persimmons, grapes, peaches, and tangerines:. Off-season local industries or workshops have also been established through the New Community Movement.

Livestock farming has only recently been introduced to Korea on a large scale. With meat and milk consumption increasing and expected to increase even further with the rising standard of living, livestock farming will become more and more important. In 1979, there were 1,562,591 head of Korean cattle, 163,299 milk cows, 2,843,163 pigs and 41,120,522 chickens. Sheep, goats, rabbits and ducks were also raised on a lesser scale.

Fisheries

The nation's fisheries are in the process of rapid modernization with the help of. Government assistance and foreign loans. Korea's deep-sea fishing fleets are now operating in the seven seas seeking tuna, yellow croaker, corvina and other fish.

During the 15 years of the past three economic development plans, fisheries showed remarkable growth, with its standing in the world rising to seventh in production and fourth in fishery exports. The nation's fishing vessel tonnage rose from 144,869 G/T in 1961 to 688,999 G/T in 1978, although the number of fishing vessels did not increase proportionally due to the policy of encouraging larger vessels.

Korea's fishing catch, including shellfish, totalled 2,422,163 metric tons in 1979. However, fisheries face a serious situation today due to the increase in fishing costs following the oil crisis in 1973, resource nationalism, and the declaration of 200-mile economic sea zones. Korea will make a concerted effort to control ocean pollution and create coastal fish farms, to seek out new fishing grounds and new fishing partners to improve port facilities, to modernize and expand the fishing fleet and to update and streamline processing methods.

Production of Foodgrains

(1,000 M/T)

	1975	1976	1977	1978	1979
Rice	4,669	5,215	6,006	5,797	5,565
Barley	1,700	1,760	814	1,348	1,508
Wheat	106	87	45	40	47
Soybeans	311	295	383	355	320
Corn	60	84	113	100	149
Potatoes	740	671	602	565	501
Others	86	94	152	123	165

surprisingly, the United States which has displaced Japan as the major importer from Korea. In 1962 Japan imported nearly 43 per cent of Korean exports compared to about 22 per cent by the United States In 1980 Korea's exports to Japan had fallen by more than 50 per cent. This was not accompanied by a corresponding rise in Korean exports to the United States which went up to a little more than 26 per cent. This obviously means that Korea has been able to diversify its export markets. Table II shows how.

Where Korean imports are concerned, it is interesting to see that the share of the United States has come down by more than 50 per cent (from just a shade above 52 per cent to 22 per cent). Japan has maintained its share, though there have been big fluctuation. (See Table III). The country which has really done well is Indonesia, no doubt on account of its oil exports. In 1962 its share was nil; in 1980 it had gone up to 2.2 per cent. The only other country which has been a major exporter to Korea is West Germany (2.9 per cent).

In conclusion, a caveat. It is tempting to suggest the adoption of the Korean model by all (or several) developing nations. The efficacy of this is doubtful at best. The Korean circumstance is a peculiar one, similar in a sense to that of Taiwan, which too has done very well indeed. That, however, does not detract from the true magnitude of the South Korean achievement,

TABLE II

Major Export Markets

(In Per Cent of Annual Total)

	Total (%)	USA	Japan	Hong Kong	Taiwan	Indonesia	UK	W. Germany	Others
1962	100.0	21.9	42.9	8.6	2.6	--	2.9	0.4	20.7
1967	100.0	42.9	26.5	4.7	1.0	0.4	2.5	1.6	20.4
1972	100.0	46.7	25.1	4.5	1.0	1.3	1.8	3.2	16.4
1977	100.0	31.0	21.4	3.4	1.0	0.7	3.0	4.8	34.7
1978	100.0	31.9	20.7	3.0	1.1	0.8	3.1	5.2	34.2
1979	100.0	29.1	22.3	3.5	1.1	1.3	3.6	5.6	33.5
1980	100.0	26.3	17.4	4.7	1.2	2.1	3.3	5.0	40.0

TABLE III

Major Import Markets

(In Per Cent of Annual Total)

	Total (%)	USA	Japan	Hong Kong	Taiwan	Indonesia	UK	W. Germany	Others
1962	100.0	52.2	25.9	0.1	1.7	—	1.5	4.6	14.0
1967	100.0	30.6	44.5	1.2	2.7	0.1	0.5	3.1	18.3
1972	100.0	25.7	40.9	1.4	1.9	2.5	2.9	2.7	22.0
1977	100.0	22.6	36.3	0.3	1.0	2.3	1.4	3.2	32.9
1978	100.0	20.3	40.0	0.3	1.0	2.7	1.4	3.3	31.0
1979	100.0	22.6	32.7	0.4	1.0	2.9	2.5	4.1	33.8
1980	100.0	21.9	26.3	0.4	1.4	2.2	1.4	2.9	43.5

Industrial Progress in South Korea

THE SHARE of industrial output in the total national output of South Korea has increased to 35 per cent at present as against 10 per cent in 1961. During these twenty year the national industrial structure made great strides accompanied by a high economic growth rate.

Prior to 1950 Korea's industrialisation rate remained below 10 per cent and consumer goods such as textiles, food and beverages, leather and rubber accounted for over 75 per cent of the total value added by manufacturing. The proportion of the heavy and chemical industries stood at only 23.4 per cent in 1960. It was composed of machinery (9.9 per cent), nonferrous ores (4.9 per cent), chemicals (3.8 per cent) and iron and steel (2.7 per cent).

Shifted Pattern

Since the implementation of the first Five Year Economic Development Plan in 1962, Korea's industrial structure has shifted towards the pattern of the industrialized economies. The proportion of the heavy and chemical industries in the total value added by manufacturing increased to 31.4 per cent in 1965, with rapid expansion of the chemical industry (primarily oil refining and petroleum products) to 46.4 per cent in 1975 and then to 50.7 per cent in 1979 with the expansion of the iron, steel and machinery industries. This percentage is now only 10 to 20 per cent lower than that of heavy and chemical industries in the advanced nations, which stand at 60 to 70 per cent.

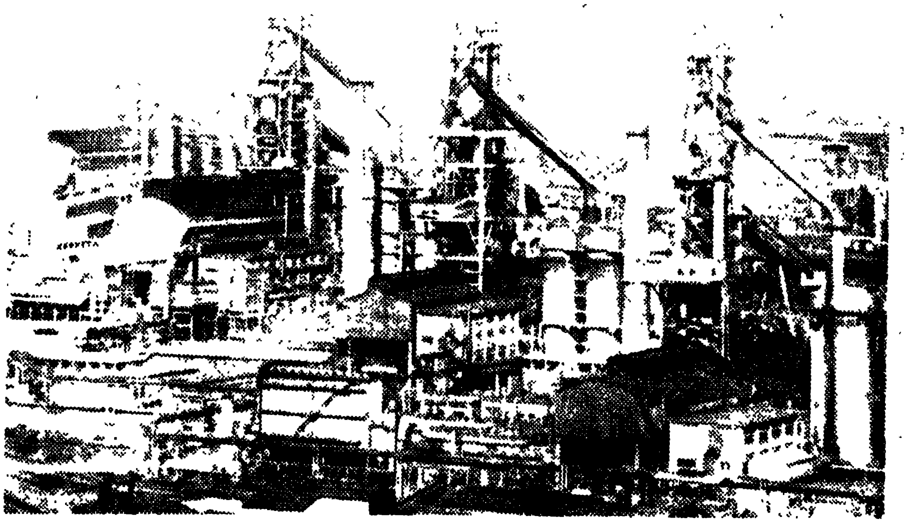
The electronics industry has grown faster than any other industry in Korea during the past several years and is being developed as one of the major export industries of the future. In 1979, Korea produced $ 3.3 bil. worth of electronic goods. Items now being produced include amplifiers, tape recorders, T. V. sets, radios, electronic watches, c.b. transceivers, T.V. games and calculators. Korea thus has become the tenth largest producer of electronics in the world.

The automobile industry has the potential to become a major export industry in the future. In the mean time the domestic demand for cars and trucks is increasing rapidly. In 1979, a total of 84.697 cars, trucks and buses were produced domestically.

Steel production is the key to the development of all other heavy industries, especially shipbuilding, machinery and electronics. While Korea invented the world's first iron-clad ship in the 16th century and the first moveable metal type some 750 years ago, a modern steel industry did not come into being until when the Pohang Iron and Steel Company Ltd (POSCO) was completed. Korean industry till then was seriously hampered by a lack of iron and steel. As of 1979, annual steel production had risen to 8,037,867 tons, 4,40,000 tons of which were produced by POSCO and the rest by other steel mills. Korea now ranks among the top 20 countries in the world in steel production.

Korea has a relative abundance of nonferrous minerals which so far have not been adequately utilized. Production is expected to increase during the current economic development plan to meet the domestic demand for zinc, lead, copper and aluminium.

The Korean chemical industry moved quickly from the production of soaps, paints, pharmaceuticals, explosives and a few basic chemicals to the production of all basic chemicals and sophasticated petrochemical products. Therefore, the major emphasis is now on the expansion



The 8.5 million ton capacity Pohang Steel Works

of existing chemical plants and the construction of chemical industrial complexes.

With increased prosperity comes an increased demand for energy for both industry and home use. Recognizing the relevancy of this problem to the success of Korean industrialization and future developments the Government established the Ministry of Energy and Resources in early 1978. Alternative soucrces of energy including solar energy, will provide a solution to the long-term energy problems of the world's peoples. and thus Korea is investing in research in this vital area. In the shorter term, however, nuclear energy is the only solution for a resource-poor, industrializing country. Thus in mid-1977, Korea entered the nuclear age with the completion of initial tests on Kori Nuclear Power Plant Unit 1. On July 20, 1978 the Kori plant entered full scale commercial operation, supplying 587,000 kw of electricity. Ground was broken in July 1977 for the second Kori unit, scheduled to be completed by 1983. A year earlier, construction began on the Wolsog Nuclear Power Plant Unit 1 due to go into operation in 1982.

With rapid economic development and industrialization, demand has kept pace

Korean Industry At a Glance

	1962	1967	1972	1977	1978	1979	1980
Electric Power Installed Capacity							
Hydro (%)	33.1	32.8	8.8	12.3	10.3	11.4	12.3
Thermal (%)	66.9	67.2	91.2	77.6	81.2	81.3	81.4
Nuclear (%)	-	—	—	10.1	8.5	7 3	6.3
Total (1,000kw)	434	917	3,871	5,790	6,916	8,033	9,391
Automobile Production							
Passenger Cars		4,983	9,525	42,284	85,693	112,314	55,926
Buses		236	2,581	5,453	7,279	12,307	12,053
Trucks		1,385	6,542	35,263	63,446	76,661	51,660
Total		6,604	18,648	83,000	156,418	201,282	119,639
Chemical Fertilizer ('000 metric Tonnes)							
Compound Fertilizer	—	186	636	1,103	1,324	1,235	1,493
Urea Fertilizer	81	318	691	1,126	1,186	1,152	958
Ammonium Sulphate	—	-	—	171	189	184	186
Fused Phosphate		30	156	176	202	216	217
Total	81	534	1,483	2,576	2,901	2,787	2,854
Railway Transporation							
Length of Railways in operation (Km)	3,032.4	3,104.6	3,120.6	3,142.0	3,153.0	3,158.1	3,134.6
Passengers Carried (1,000 persons)	100.555	151,972	137,139	301,592	371,022	423,657	430,773
Total Passenger Travel (million persons/Kms)	5,86.94	9,577.0	1062.3	17,099.0	20,055.0	21,386.0	21,640.0
Tonnage carried (1,000 M/T)	16,561.0	26,101.6	31,547.0	47,631.0	45,654.0	50,879.0	49,008.0
Total Ton/Kms (million Ton/Kms)	3,741.8	5,960.4	7,241.0	10,509.0	10,926.0	11,081.0	10,798,0
Shipbuilding Capacity (1,000 G/T)	—	87.8	190.0	2,670.0	2,770.0	2,800.0	2,800.0

with the supply of electric power. Both increased annually at the rate of 18.6 per cent during the period 1962 to 1979, a rate almost double that of the developed countries, and necessary to bring Korea into line with their capacities.

There are currently 24 thermal power plants and 14 hydropower stations in Korea. One pumped storage plant and Kori Unit 2 are due to begin service in 1983. Construction is underway for future nuclear units, and feasibility studies are now being carried out for a tidal power plant. Thirteen atomic power plants will be constructed by 1991, providing an aggregate installed capacity of 11,016 megawatts. The installed capacity of hydropower plants will be increased from the 1979 level of 802 megawatts to 1,212 megawatts by 1991. In July 1980, feasibility studies will begin for a U S $661 million tidal power plant. When completed in 1988, the power plant will have an installed capacity of 330 megawatts, making it the largest tidal power plant in the world.

Oil was refined for the first time in Korea in 1964 when the Korea Oil Corporation, a joint venture between the Korean Government and Gulf Oil completed the first stage of its Ulsan refinery with a capacity of 35,000 barrels per day, During the last 15 years, three more joint venture refineries, Homan Oil Refining Company, Kyung-In Energy Company and Ssang-Yong Oil Refining Company Ltd., were constructed.

The total capacity of the four refineries in operation as of June 1980 was 630,000 barrels per day. These refineries have been saving vast sums of foreign exchange by refining crude oil and further developing and producing a variety of petroleum products in order to help meet increasing domestic needs.

Coal production will rise only to 18,400,000 metric tons by 1981, but a coal development programme will have been launched to minimize dependence on imported energy sources. Due to far-sighted planning since the early 1950s, power sources have been able to keep pace with needs which have expanded far faster than originally expected. With proper

Doing It with Electronics

Last year output of the South Korean electronics industry reached nearly $ 3 billion and exports nearly $ 2 billion making it perhaps the best of the string of Korean success stories. In terms of GNP, this industry now accounts for just a shade below 10 per cent. Korean authorities are now hopeful that electronics production and exports will roughly quadruple by 1986. If the current performance of the top electronics company, Gold Star, is anything to go by this may not be a mere pie in the sky—by August this year its sales were already up by 90 per cent over last year.

The Koreans think that their electronics industry can grow despite such obstacles as a narrow home market, low technology and foreign protection. One way of doing this, they say, will be to diversify from consumer electronics (which accounts for about 95 per cent of their revenue) to industrial electronics such as tele-communications, office equipment and simple computers as well as the upper ranges of electronic consumer items like video tape recorders and players. They are likely to import advanced technology for this. They may have some problems here because Japanese companies are refusing to license technology. Undaunted, Gold Star is trying to get a tie-up with Phillips of Holland and RCA of America.

Behind the tremendous growth of the Korean electronics industry was the effort of the Electronics Industries Association of Korea. The aim of this organisation is to foster Korean electronics industry as a world competitor. Since the organisation began operations total export of Korean made electronics goods have zoomed upwards. In 1980 exports amounted to a little more than $ 2 billion accounting for roughly 12 per cent of Korea's total annual merchandise exports. It also became the second major industry in Korea next only to textile industry.

Electronics exports last year recorded a moderate 7.7 per cent increase over 1979, $ 114,706,000 was earned from industrial equipment (a 14 per cent rise from the year before); $ 904,218,000 from components (10.2 per cent increase over the previous year), bringing the growth figure for electronics exports to 10.2 per cent.

The year-to-year increase rate in 1980 was slightly less than the annual growth rate of Korea's total merchandise exports for the year, yet a remarkable rise in view of the sharply shrinking global demand for electronics goods. The 1980 export figures say that about two-thirds of Korea's electronics products were exported.

The United States continued to take the largest share of Korean-made electronics products in 1980—$ 800,246,000 or 0.7 per cent more than in 1979.

Japan imported $ 305,211,000 worth of Korean-made electronics goods, mostly cassette tape-recorders and stereo systems.

North America and Asia are the major markets for the Korean-made electronics goods. However, the Mideast and Latin America are also emerging as major markets for Korean goods and exports to those regions have been increasing rapidly in recent years.

Total exports of Korean-made electronics products to the Middle East last year amounted to $ 87,097,000, a 68.9 per cent increase over the 1979 level and the highest growth rate among new market regions.

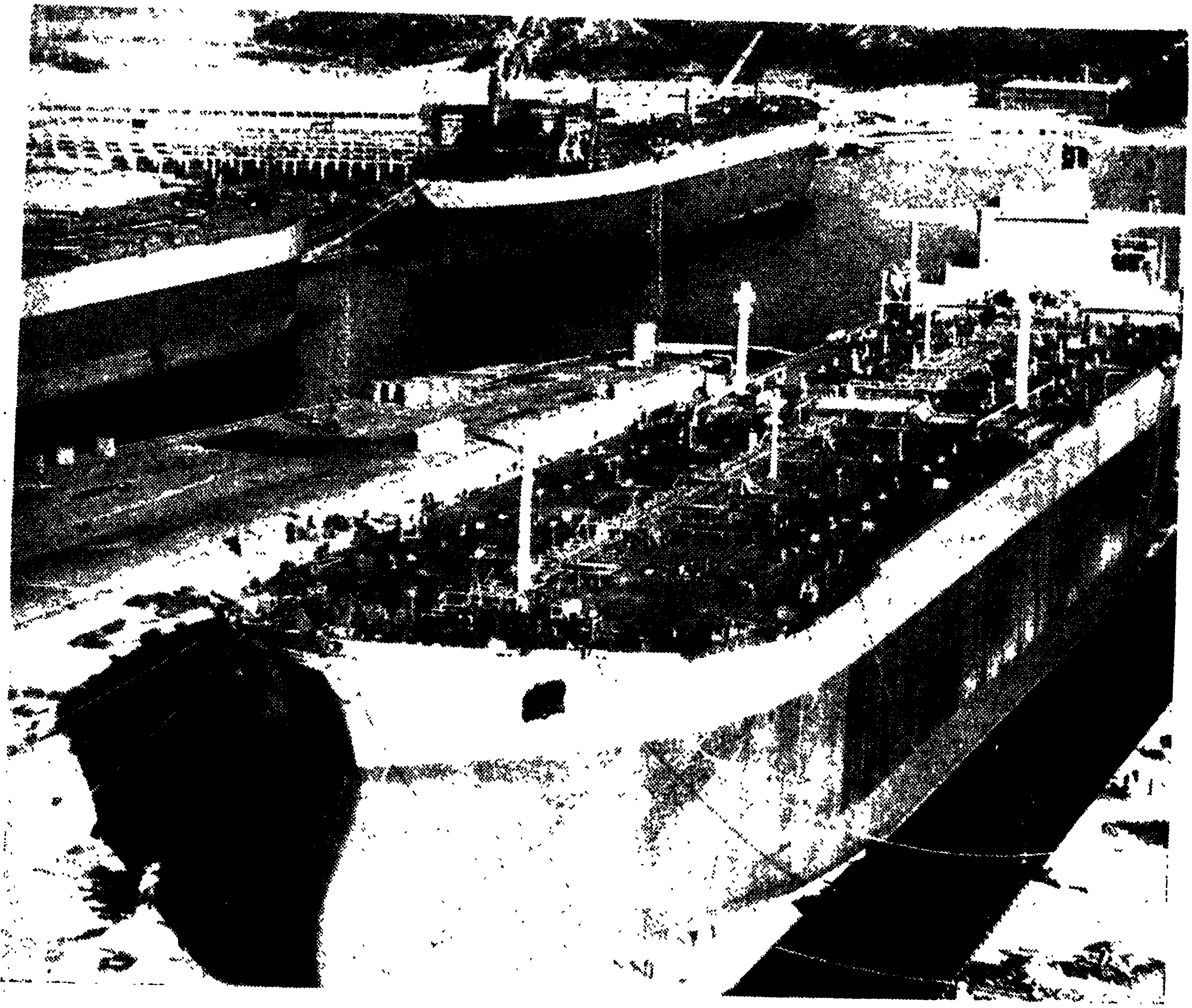
Latin American markets increased by 32.8 per cent.

conservation by every one and long-term planning and financing, production should keep up with the increasing demands of the future.

Textiles are one of the oldest and foremost industries in Korea and have contributed a major share to overall production, employment and export achievements. Silk, cotton and woollen goods are all manufacturred, as well as artificial fibres and mixtures—all in up-to-date plants—in a variety of colours and patterns.

Korea produces other consumer goods and daily necessities in increasing quality and quantity, including canned and processed foods, plywood, paper, leather and rubber products, kitchen utensils, toys, drugs, wigs, comsetics, bicycles, guitars, sewing machines, various handicrafts and innumerable other items for both domestic markets and export. Light industrial products, consisting mainly of textiles, constitute about 51.3 percent of total exports in 1979.

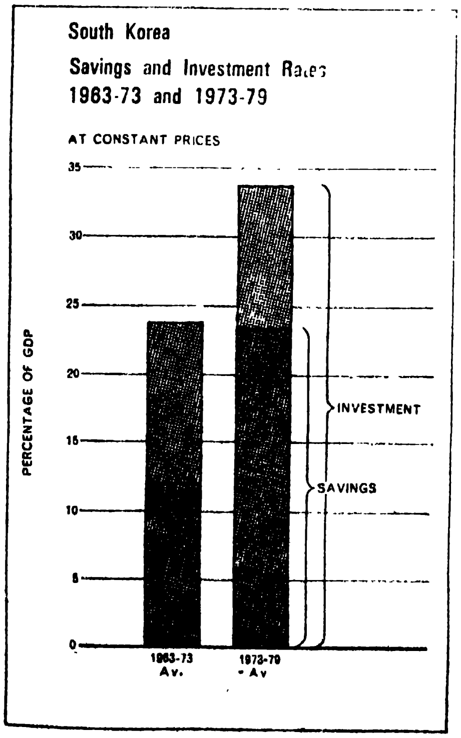
Shipbuilding developed rapidly from the building of wooden fishing vessels in the 1960s to producing 2,800,000 gross tons in 1979. It is expected that shipbuilding capacity will reach 4,250,000 gross tons by 1981 through the expansion of the Hyundai shipyard, already one of the largest single shipyards in the world, and the construction of the Daewoo and Chukdo shipyards on Koje island. When these yards have been completed. Korea will emerge among the world's ten leading shipbuilding nations.



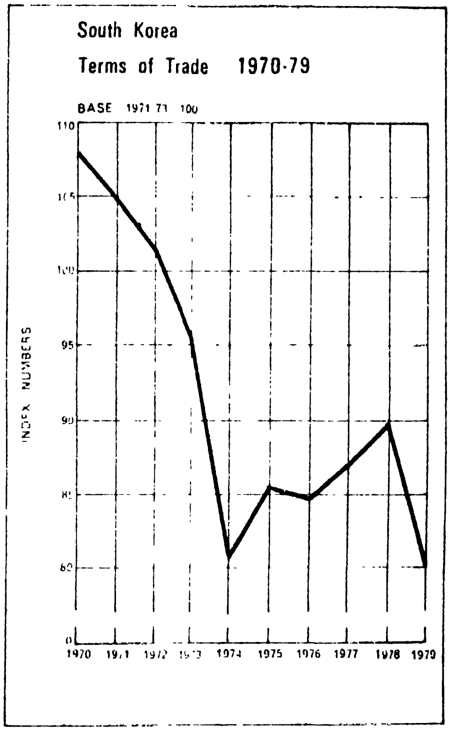
Hyundai Shipyard

Exports : The Key to Korean Success

In the mid-1950s South Korea's "modern" sector was small. Manufacturing constituted six per cent of GDP, most industrial and much infrastructural capacity having been located in North Korea, manufactured exports were almost unheard of. Until 1962 economic policy emphasised import-substituting industrialisation. This was followed, comparatively early in the industrialisation process, by a switch to promoting exports. For the next 10 years GDP rose at over nine per cent a year. Investment's share in GDP almost doubled and was substantially financed out of domestic savings. Capital was used highly efficiently: the incremental capital-output ratio—the extra investment needed to produce an extra unit of output—averaged 2.5 in 1964-73, one of the lowest in the developing world. Rapid productivity growth, facilitated by a skilled and literate workforce, reconciled substantial wage increases with moderate inflation. In 1973 GDP grew by a remarkable 15 per cent and inflation was only three per cent.

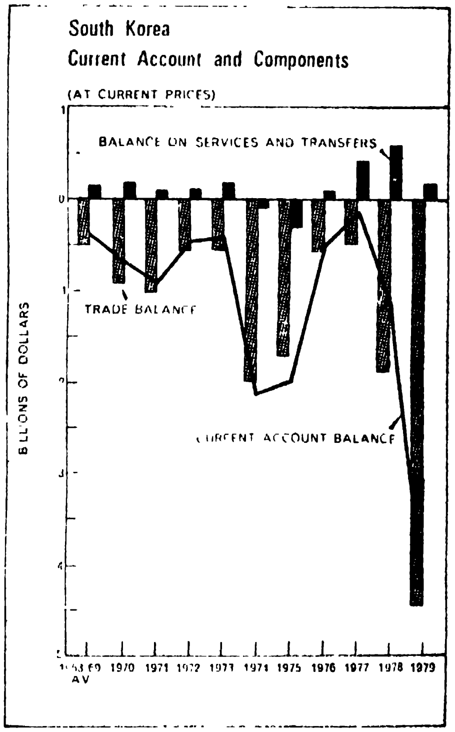

South Korea
Savings and Investment Rates
1963-73 and 1973-79

Rapid industrialisation had, however, left South Korea heavily dependent on imported oil. When oil prices rose in 1973-74, the deterioration in the terms of trade resulted in a resource loss equivalent to 4.5 per cent of GNP and a five-fold jump in the current account deficit to 11 per cent of GNP. The Government initially accommodated this by increasing foreign borrowing (which totalled 11.3 per cent of GNP in 1974 and 9.5 per cent in 1975). But it then opted to cut back the deficit through trade—both export expansion and import substitution—rather than by slowing down growth.


South Korea
Terms of Trade 1970-79

Between 1974 and 1978, South Korea's export volume recorded a spectacular increase in a wide-range of manufactured goods. This was accompalished by a number of measures. The currency was devalued by 22 per cent in 1974. Exporting firms continued to enjoy automatic access to imported raw materials at world prices and subsidised credit for working capital at a time when credit for import substitution and non-traded goods was restricted. South Korean firms were also successful in winning contracts in the booming Middle East construction market. By 1978 the value of construction contracts stood at $15 billion and workers' remittances helped to swell foreign exchange receipts.

However, short-term measures were less significant than established policies aimed at promoting exports. Two institutions set up in the 1960s—the Export Target System and the Export Promotion Conference (at which the President of South Korea personally presided)—were used to intensify the pressure to export. They helped to coordinate Government and private sector efforts in response to short-term problems and opportunities.


South Korea
Current Account and Components

The marketing and intelligence facilities of the Government export marketing organization (KOTRA) and of the export trade associations of individual industries were also influential.

In dollar terms, exports almost doubled

Shipbuilders to the World?

Ten years ago when Korean planners decided to move their economy into capital intensive industries, ship-building was one of the indushries they chose to invest in. The state either invested directly or told bankers where to lend their money. The move seemed to have paid off. Last year South Korea took seven per cent of world ship-building orders.

The growth of the Korean ship building industry has been almost as spectacular as that of its electronics industry. Starting from a relatively tiny 190,000 *G/T in* 1972 *Korean ship building capacity has grown by leaps and bounds. In* 1979 *it stood at an impressive* 28,00,000 *G/T. Korean planners expect that capacity will reach* 42,50,000 *G/T by* 1981. *They are seeking to achieve this through expanding the Hyundai shipyard and the upcoming Daewoo and Chukdo shipyards at Koje island: The completion of these projects will put Korea amongst the top ten of the world ship builders, an achievement which the Koreans are looking forward to gleefully.*

Last year export of ships increased by $ 99 *million from* $ 519 *million in* 1979. *Recently the Korean Shipbuilding and Engineering Corporation obtained a* $ 260 *million contract for supplying ultra large modern oil tankers ranging from* 35,000 *WWT to* 56,000 *WWT to Abu Dhabi. This as well as other fresh orders have helped the industry to recover from the stagnation that followed the second oil shock.*

As of the end of 1979 *the number of ships under construction reached* 52, *amounting to* 1,307,455 *G/T as* 56 *ships totalling* 304,107 *G/T were delivered to foreign owners the same year. Thus, the Korean record of receiving overseas orders was the second largest in the world and placed Korea in the sixth rank in terms of orders on hand to build ships in that year.*

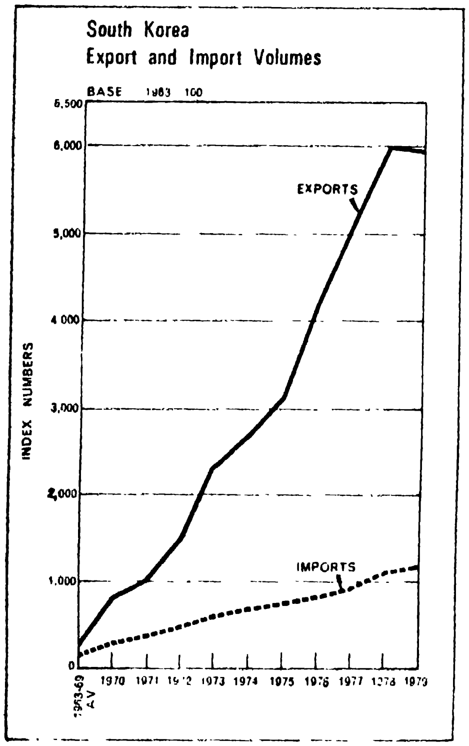
Daewoo Shipbuilding and Heavy Mechinery Ltd., is building four chemical tankers worth $43 *million each, which are scheduled to be delivered to the Norwegian owner beginning in November* 1981.

Thanks to the expansion of Samsung's facilities and the inauguration of Okpo Shipyard of Daewoo Shipbuilding & Heavy Machinery overseas orders could be taken up without any difficulty.

Particularly noteworthy is the fact that the shipbuilding scale and money-amount are becoming larger. Prices of ships have risen considerably to a realistic level, as compared with the price hikes of raw material. Secondly, orders for shipbuilding have been diversified to bulk carriers, container ships and OBO (ore, bulk and oil carriers) from the previous oil tankers. Orders for chemical tankers from North European countries prove that Korean shipbuilding technology has reached the world level: New overseas orders have started to flow since the latter half of 1979; *orders during the fourth quarter of* 1979 *accounted for* 70 *per cent of the whole workload received last year.*

between 1974 and 1976, and by 1977 had nearly closed the gap with imports. The trade balance improved very significantly between 1974 and 1977. This was due roughly equally to import substitution, mainly in machinery and consumer durables, and to increases in world market shares of South Korean expots.

During the five-year period 1974-79, GNP accelerated, growing by an average 10.1 per cent a year. Consumption declined as a share of GDP from 82 per cent in 1971-73 to 78 per cent in 1974-76. Savings and investment rates correspondingly rose. Inflation, fueled by the oil price increase, accelerated to 24 per cent by 1976. Real wages, which had fallen by six per cent during 1974, were held in check relative to foreign wages for two years after a 22 per cent devaluation of the won in December 1974. This helped maintain the country's competitiveness, though the real exchange rate(the nominal rate adjusted for South Korea relative to US prices) then started to appreciate. Between 1972 and 1978 domestic costs rose by 20 per cent relative to those abroad.



The second oil price rise of 1979-80 occurred just as policies were shifting to a contractionary stance in response to an overheated economy. It implied a resource transfer equivalent to 6.6. per cent of GDP and resulted over 1979 and 1980, in current account deficits equivalent to about seven per cent of GDP. In October 1979 the assassination of the President heightened political tensions and led to unrest and a change of Government. It proved difficult to check the momentum built up in expansion over the last few years. High investment demand and tightened labour markets had caused an acceleration in wages, undermining the competitiveness of South Korean exports, which actually declined in real terms over 1979. Contraction was accentuated by the increase in production costs due to the rapid passing through of rising petroleum prices to the domestic economy. Domestic currency prices of imports were further increased by a 20 per cent devaluation in January 1980. These factors, plus a disastrous harvest, combined to raise the rate of inflation from 18 per cent in 1979 to 28 per cent in 1980 and effected a 5.7 per cent decline in real GNP over 1980.

In 1980 the Government initiated a series of measures aimed at improving the external resource balance through structural adjustments. These include facilitating the extension of credit for exports, maintaining incentives through exchange rate policy and initiating efforts to moderate increases in wages.

This report was published in the World Bank's *World Development Report, 1981.*

Saemaul Undong : Enriching the Farmer

SOUTH KOREA began on the path of planned economic development in 1962. By early 1970s at the end of the second five-year plan Gross National Product had gone up by 85 per cent and per capita income had streaked upwards from $95 (in 1961) to $252 (in 1971), which was all to the good. But this rapid industrial growth began to have unfavourable side effects in the agricultural sector. Agricultural growth lagged way behind at 5.3 per cent during the first plan falling to 2.5 per cent during the second plan. When compared to the rate of growth of industry which increased at 7.8 and 10.5 per cent respectively, the Korean Government quickly realised that unless it did something to ameliorate conditions in the rural economy the growth achieved could well turn out to be a mixed blessing. For example, the declining farm income—their share in GNP fell from 71 per cent in 1961 to 61 per cent in 1971 - led to migration to the cities. As a result agricultural population which constituted 70 per cent of the total population in the fifties decreased to 46 per cent in 1971. This in turn led to a serious strain on the cities, serious labour shortages in the rural areas because of the absence of mechanisation and generally unbalanced growth with all its concomitant disadvantages.

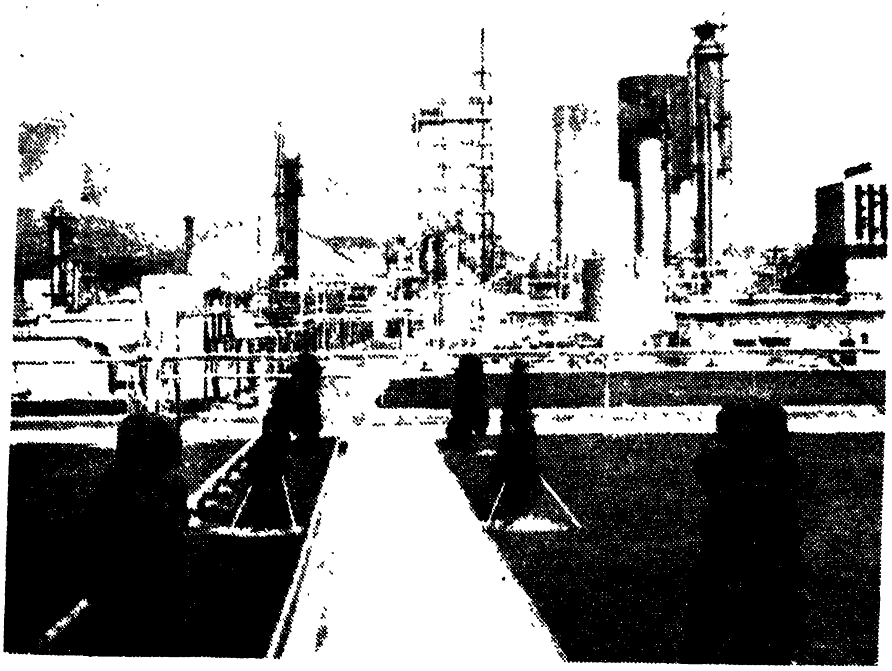
Contributing to this general problems was the attitude of the people themselves who, due to one reason or the other, lacked the initiative and motivation to help themselves. One consequence of this was that the various rural rehabilitation programmes started earlier had flopped. So in April 1970 the Government started Saemaul Undong (New Community Movement). Its ojective was to increase farm incomes and improve the living standards of farmers. The movement has succeeded in achieving its objective as is evident from the fact that income per household rose from $735 in 1971 to $3885 in 1978. The contribution of agriculture to GNP rose from 8.4 per cent in 1971 to 17.4 per cent in 1978. The per capita income also rose from $275 to $1242 during the same period.

These successes make Saemaul worthy of closer scrutiny.

Seamaul Undong is characterised by two basic factors which are probably specific to South Korea. First, unlike incorporated rural development programmes Saemaul started without a well defined format or theoritical framework. Second, the movement is peculiarly Korean in that the various concepts and termonology used cannot be easily translated into foreign languages. One of the factors which has contributed to the success of Seamaul Undong has perhaps been step by step approach that was adopted. The typical Saemaul Undong project in the initial stage was for the improvement of the farmers own living environment. This took the form of relatively light tasks such as roof repair, kitchen and toilet improvement etc. The Government came in only to the extent of providing support in the form of cement and other materials required. The basic thrust came, however, from the farmer himself who had to provide his own labour.

At the second stage attention was focused primarily on training the people to cooperate with each other. The villagers were encouraged by the Government to take up projects like improving village roads, bridges, drinking water facilities etc. Once again the Government came in only to the extent of providing the funds and material.

At the third stage income generating projects were introduced like cooperative production, cooperative marketing, creation of a village common assets etc. which called for a very high degree of



Fertiliser Co. at Ulsan

cooperation investment and management skills.

Lest all this sound familiar to those who have studied India's IRDP programme, it is worthwhile pointing out that where the Korean experiment differs is in the rather single minded implementation of the programme. Guidelines to implement the various projects were prepared in October 1970 and all township chiefs received special training on how to launch the project. In early 1971 all villages were given 335 cement bags (it is not known by what convoluted arithmetic the magic figure of 335 was arrived at) and the villagers are encouraged to construct community assets such as a village laundry, water facilities and so on. In all the Government provided $8.5 million and at the end of it all the projects completed were worth about four times the investment.

Valuable Lessons

The implementation of the Saemaul projects threw up several valuable lessons. The first lesson that was learnt was how to identity village level Saemaul leaders. Secondly there were the lessons learnt regarding how to encourage the cooperative spirit, self help and participation. But the most important lesson was perhaps the third one which showed precisely how to employ funds efficiently.

In 1973 the movement was expanded to all the 35,000 or so villages of Korea, making it a real national movement. Simultaneously emphasis was shifted from basic projects to projects which would lead to increases in farm income. In 1975 special emphasis was laid on double cropping and credit unions were also promoted. In 1976 improved group marketing systems were also introduced and from 1977 onwards the stress has been on helping the *urban* Saemaul movement to achieve its goal of creating a cooperative spirit amongst all the people in the country.

Major Economic Indicators As at 1979

	Unit	Sonth Korea (A)	North Korea (B)	B/A %
Population	1,000 persons	37,605	17,400	46
Population Growth Rate	%	1.58	2.5	158
Land Area	Km^2	9,2966	122,370	124
GNP	US$ 100 Million	597.4	125.1	20.9
Per Capita GNP	US$	1,597	719	45.0
Military Outlays	% of GNP	5.5	22.1	402
Investment Rate	% of GNP	35.9	42.2	118
GNP Growth Rate	%	6.4	5.0	78

Source : National Unification Board.

Saving and Investment Ratio

(In percentages)

		Investment Ratio				
Year	Saving Ratio	Agriculture, Forestry & Fishery	Mining & Manufacturing	Social Overhead Capital & Construction	Other Services	Increase in Stocks
1962	12.8	1.1	2.9	5.1	4.6	−0.9
1967	21,9	1.8	5.7	0.8	5.9	0.5
1972	21.7	2.2	4.1	8.0	6.3	1.1
1977	27.3	2.4	5.6	8.7	9.3	1.3
1978	31.1	2.5	7.3	10.1	10.7	0.5
1979	35.4	2.3	7.7	10.6	11.9	2.9
1980	31.0	2.1	4.7	11.1	13.7	−0.6

Source : The Bank of Korea

There are several lessons to be learnt from Saemaul Undong for national modernization through rural development and bettering the lot of the poor. First, identification of slogans genuinely local, based on the national culture and historical tradition, and appealing to all the people, especially to the poor, is the initial important step. Second, the first objective of the movement should be elimination of rural poverty and achievement of social and economic well-being of the rural people. Third, a mass movement needs to take a step-by-step approach. Fourth, a master plan for integrated rural development is necessary. Fifth, development of village-level leaders is crucial. Sixth, all-out support for the mass movement from all levels of the Government, particularly from the highest authority, is necessary. Seventh, a mass movement requires support and active participation by all the people, particularly by city people, intellectuals and the elite of the society, who are the powerful opinion leaders. In the last place, employing a top-down approach, using governmental administrative machinery in the initial stage to build a basic foundation for encouraging the bottom-up approach has proved useful. with the initiative gradually being turned over to the people.

BOOKS BRIEFLY

Scope for Multilateral Cooperation in South Asia

Survey of Economy, Resources and Prospects of South Asia : M.L. Qureshi; Marga Institute, Sri Lanka (In Association with Third World Foundation for Social and Economic Studies, London); Pp 274; Price not given.

Micro-Plan for Full Employment : K. Puttaswamaiah; Oxford and IBH Publishing Company; Pp 331; Price Rs 100.

Managing Diversification : Ranjan Das; Macmillan India Ltd; Pp 145; Price Rs 60.

Structure and Performance of College Education : Rudolf C. Haredia; Somaiya Publications Pvt. Ltd; Pp 192; Price Rs 65.

A Treatise on Tax Planning : D.D. Shah; M.M. Tripathi Pvt Ltd; Bombay; Pp 248; Price Rs 65.

Sales Tax System in Bihar : National Institute of Public Finance and Policy; Somaiya Publication Pvt Ltd; Pp 176; Price Rs 80.

Reviewed by **Academicus**

A STUDY of development trends and prospects in the South Asian countries was undertaken by M.L. Qureshi as part of the groundwork for the programme of studies on 'South Asian Co-operation for Development'. As a result the author has presented a masterly overview of the countries of the region and has organised the vast information within a broad comparative framework in his *Survey of Economy, Resources and Prospects of South Asia.* This enables the readers "to perceive the regional setting in which the efforts at multilateral cooperation in South Asia would have to be initiated."

The author's principal objective in undertaking this survey is "to help the South Asian research team both to take account realistically of the major constraints that seem to militate against regional cooperation as well as to identify the latent potential for such cooperation."

The South Asian region, according to the Survey is very poorly endowed with natural resources. It has 20 per cent of the population of the world but only 3.31 per cent of the world's land area. According to this study, this region "has less than one per cent of the world's resources of brown coal and lignite, crude petroleum, natural gas, antimony, copper, gold, lead, magnesite, magnesium, silver, tungsten, zinc, asbestos and diamonds." These resources, meagre as they are, are unevenly distributed among nations of the region, bulk of the resources being concentrated in India. But the region is rich in respect of resources of the Himalayas and of the sea.

The South Asian region had a population of 848 million in mid-1979 and it was growing at an annual rate of 2.2 per cent during 1970-77 compared with the annual population growth rate of 1.7 per cent of the world. At the present rate of growth, the population of the region will increase to 1362 million by the end of the century. Naturally this high rate of population growth presents one of the most serious problems of the region as it neutralises a substantial part of increase in Gross National Product. The author opines that "the region has no feasible alternative to a reduction in the rate of growth of population."

The region is richly endowed with manpower resources. It had a labour force of 298 million in 1975. It has been growing annually at the rate of two per cent. This would imply that future development programmes of the region will have to be highly employment-oriented to provide job opportunities and income for an increasing labour force. Failure to do so will have vast social and political implications.

The economies of South Asian countries are characterised by low levels of per capita incomes and low rates of economic growth. In 1978, except Pakistan, all other countries in the region had per capita income of less than US $200.

Compared with 1960s, growth rate of GDP in most countries of the region has declined substantially during 1970s. It is just marginally higher than the population growth rate. This explains why per capita incomes in the region are practically stagnant.

Low Saving Rate

The saving rates have been very low except in the cases of India and Sri Lanka. The rates of investment have been negative in some countries of the region.

The proportion of agricultural production in GDP has been declining and that of industrial production increasing. This is partly a reflection of gradual modernisation of the economies of the region.

Agriculture occupies a position of pre-eminence in the economies of South Asian countries. Agriculture is getting modernised in these countries; but the rate of growth of agriculture declined substantially during 1970s. It needs to be noted that except in the cases of India and Sri Lanka foodgrain production has not been keeping pace with the growth of population.

There is practically little scope for bringing additional land under cultivation. But there is tremendous scope for increasing per hectare production by intensive cultivation and modernisation of agriculture

There is also great scope for development of livestock and dairy industry and fisheries.

Most of the farms are small and ownership of landholdings is concentrated in a small proportion of people. All such institutional constraints will have to be removed if agriculture in South Asian countries is to record rapid progress in future.

Industrial production growth rate in South Asian countries was fairly high duing 1960-65. It has been declining since then. It appears to be improving since 1975 onwards. Also, industrial production as a proportion of GDP has been increasing in practically all countries of the region. Exports of manufactured goods have also been increasing quite rapidly in some countries, particularly in the cases of India and Pakistan.

Role of Multinationals

Though direct investment of multinational corporations in this region is relatively small, they can play an important role in transfer of technology, provided costs of this transfer are not prohibitive.

Transport development has been receiving considerable attention in this region though the recent increase in the cost of oil has greatly increased the cost of transport.

It is unfortunate that intra-regional trade in South Asia in respect of exports and imports constitutes a very small fraction of the total foreign trade of these countries. Also, terms of trade have been continually deteriorating and may get worse due to increase in oil prices. The balance of payments on current account has been heavily in deficit in most countries. Further, uncertainty about quantum of foreign aid to be expected has made development planning difficult. The external public debt is very large in the case of some countries and debt service liabilities have been imposing a heavy burden on their balance of payments.

The countries of the South Asian region have all been experiencing high rates of inflation, the sources of inflation being both external and internal. But according to the author, large part of the blame for high inflation goes to domestic factors such as slow growth of GDP, inadequate agricultural production, low rate of saving and highly expansionary monetary and fiscal policies.

There is considerable similarity in development objectives of the countries of the region: accelerating economic growth rate reduction of income inequalities, eradication of poverty, reduction of regional disparities, increasing employment opportunities, reducing population growth rate, improving balance of payments position and attaining a greater degree of economic self-reliance. Development efforts, in short, aim at bringing about improvement in the quality of life of the people of the region.

But it appears that distributive justice has not been built into the development strategies of most of these countries so that income and wealth inequalities appear to be increasing.

One way out of the problems before the regien, according to the author, is intra-regional cooperation among countries of South Asia for which there is tremendous scope. There can be cooperation in the field of agriculture, development of water resources and fisheries, in industrial development and in the development of trade and transport and communications. The author is aware that there are political, cultural and historical barriers to such intra-regional cooperation. But areas of cooperation should be identified and gradual steps taken to enlarge the field of cooperation. It is natural that before we talk of North-South dialogue, and blame the North for failure to cooperate with the South, we first learn to cooperate among ourselves and thus pave the way for wider world cooperation. The author has rightly pointed out that India, because of her large size and dominant economic and political position, should take the lead in this respect.

This is a masterly study, comprehensive in approach, penetrating in its analysis and with a vast amount of data and information which political and social leaders of South Asian countries would do well to read, digest and ponder over.

UNEMPLOYMENT

In spite of our Five Year Plans, unemployment has all these years proved to be a complex and elusive phenomenon. It has been a cause as well as a result of poverty.

Our Sixth Five Year Plan has laid stress on reduction of unemployment and removal of mass poverty. Block level planning has been introduced in the context of Government of India's extension of the integrated rural development programme to all the 5004 blocks in the country from October 2, 1980.

The integrated rural development programme was started initially in 20 districts in 1976-77 and Tumkur district in Karnataka was selected for this purpose by the Government of India. K. Puttaswamaiah, at the instance of the Ministry of Rural Reconstruction, undertook this study "to assess the magnitude of unemployment in the block and to suggest a programme of action to achieve a better employment status in the block, if not the level of full employment which can only be a long-term programme."

The Plan Package

The plan package suggested in *Micro-Plan for Full Employment*, by the author shows that "full employment at the end of the fifth year (of the Sixth Five Year Plan) is possible provided a particular scale of investment is made possible." This study has endeavoured to identify the present employment status in Chiknayakanpalli taluka (in Tumkur district) and provide a micro-plan to meet the situation. The very important part of the study is a comprehensive household survey to collect detailed information regarding as many households in the taluka as possible.

The author has come to the conclusion that "...employment should aim at creating more opportunities per unit of output and investment and such a type requires employment-intensive sectoral planning, development of infrastructure facilities and increasing production." He has opined that the problem of unemployment and poverty can be tackled simultaneously only through an increase in productivity.

The respondents, it appears, favoured Government service and other services and they urged that financial assistance be given so that unemployed persons could take up economic activities of their choice.

The author has emphasised that an integrated policy will have to be devised to solve the problem of unemployment. While planning for full employment, the major objective should be to direct attention towards weaker sections of the community as they are the most vulnerable. The most important point which the author has made—and it appears no one has made it so far—is that "family-oriented programmes will have to be thought of." The programme should take into consideration skills of different members of families and should ensure continuous and regular employment to the hard core of unemployed in rural areas. Necessary infrastructure will have to be created and adequate resources will have to be effectively mobilised. And these resources will have to be utilised with maximum efficiency. Efforts should be made to improve the land-base. Waste land should be developed and distributed among landless agricultural labourers. Minor irrigation programme would benefit small farmers and would also increase employment opportunities. A massive construction programme with locally available materials will go a long way in providing employment opportunities and also in improving the quality of life of rural people. There is also considerable scope for development of rural industries.

Significant Study

The author has given sector-wise and even individual industry-wise breakdown and possibilities of increasing employment in the taluka under survey.

The study is of great significance. Instead of talking in general and macro terms which was the language of all our previous plans and policymakers, the author has undertaken a detailed survey of the unemployed at the block level conducting household surveys in the context of the integrated rural development programme now extended to the whole country since October 2, 1980.

The author has done his job thoroughly. He has indicated that the problem of rural unemployment can be solved satisfactorily only on the basis of detailed household surveys. It appears that all these years policymakers were dealing with the problem of rural unemployment in a rather superficial way. That explains relative failure of programmes like community development and rural industrialisation. The problem of rural unemployment to be tackled successfully requires a greater degree of sophistication and insight. The author has shown both in abundance. It is now up to the planners and policymakers to evolve similiar plans for all blocks and make determined efforts to solve the problem of rural unemployment.

PASTURES NEW

During recent years diversification has become a fairly common attribute of practically all big business organisations, both in India and abroad.

For example, it is observed that by 1970 only 6.2 per cent of the US firms were carrying on single business, while 65 per cent of the US firms had diversified to new fields, either related or unrelated. A look at the various European countries also reveals the same trend towards diversification to newer fields. By 1970, 53 per cent of the German firms, 38 per cent of the French firms, and 35 per cent of the Italian firms had already diversified to either related or unrelated fields. Of late, an increasing number of Japanese firms are pursuing a diversification strategy. By 1973, nearly 50 per cent of the Japanese firms had already diversified into new industries, while many others have been preparing plans for diversification. The history of diversification in Indian industry is of recent origin. According to one recent study, out of the firms studied about 84 per cent of private sector and 59 per cent of the public sector firms have already brought about diversification.

According to *Managing Diversification* by Ranjan Das, diversification has become an important field of study as it calls for "development of an administrationally oriented theory that is relevant to the corporate general managers for managing their diversification moves".

In the case of large business or commercial organisations diversification has come to be regarded as "one of the most complicated but challenging tasks faced by the managers to achieve their firm's objectives of continual growth and expansion. "This is because diversification often leads to "deviations from past organisation, technology, market as well as traditions".

Managing Diversification is based on the analysis of real life organisations. The author has described the process of managing diversification as it begins to take place in a large organisation. The focus is on the role of Chief Executives and General Managers who share the prime responsibilities to manage diversification moves.

Bringing about diversification in a business organisation is bound to lead to alteration in administrative structures and management systems of existing business. The changes would reflect responses of corporate general management in dealing with increasing complexities. With a view to meeting this situation, General Managers are seen to adopt two different philosophies in managing existing and new businesses during the transition period. It is observed that under this dual philosophy of management, new business organisations come to enjoy fairly extensive decentralisation. Corporate general management with a view to reducing complexity as well as total volume of work, disengages itself from operating details. Controls come to be exercised through the use of formal information control systems and by assigning key executives having abilities in managing a business a fairly independent status. Along with this, there takes place a fairly rigid centralisation of planning and decision-making at the corporate office.

Absence of Structure

According to the author, "Centralisation in such areas takes place because of the absence of an administrative structure as well as proper systems and procedures at the operating level and also due to non-availability of competent general managers and staff executives. "It is also observed that "centralisation may be continued till the time that diverse cultures of individual members who are recruited (or associated in case of collaboration) to manage new businesses are integrated and a sense of commitment and concern for the organisation as a whole is evolved and ensured.

As an organisation shifts from a single-product or a vertically integrated company to a multi-industry set-up, the corporate general management in a bid to integrate existing and new businesses under a common corporate set up is required to critically evaluate organisational systems, business norms and managerial practices and so on. The author has made an attempt to analyse critically various relevant issues in this connection such as management structure and relationship, decision-making process, system of evaluation, leadership style, mode of intra- and inter-group communication and so on.

The change in the approach of corporate general management reflecting a gradual shift from centralisation to decentralisation would take place after taking into consideration factors such as the extent of confidence the corporate general management has developed in the business-level management.

The author has explained that in the case of India "most deversifications have been regulation induced." The Industries (Development & Regulation) Act, 1951, the Import Control Order, the Monopolies & Restrictive Trade Practices Act and the Foreign Exchange Regulation Act have influenced both the pattern and pace of diversification undertaken by different business organisations in the country. Also, because of the above regulations, establishment and maintenance of appropriate relationship with Government officials at different levels adds one more complication to the already complex job of diversification.

The case studies included in the book help to throw much light on problems of diversification by industrial and commercial organisations. This is a pioneering study which will be found useful for students of business management.

COLLEGE EDUCATION

According to Rudolf C. Heredia, the author of *Structure and Performance of College Education*, a major re-organisation of college education in India has been completed with the implementation of the 'ten-plus-two-plus-three' formula. In this monograph, the author has made an attempt to capture the college situation immediately prior to this. To the extent it is successful, the author feels that it can be used as a base-line study to compare the old four-year degree colleges with the new three-year ones.

This book based on the edited version of the author's doctoral dissertation accepted by the University of Chicago in 1979 contains detailed analysis of the internal structure of a college as an academic-social system juxtaposed against the functional efficiency of the affiliating university. The author has restricted his field of study to the University of Bombay.

The author has begun his thesis with the historical background stretching back to the days of the East India Company's education despatch of 1854 and subsequent establishment of the Universities of Bombay, Madras and Calcutta by the University Act of 1857.

Alien System

Having analysed the courses of study and activities of Indian universities in general and of Bombay University in particular, the author has come to the conclusion that even more than 30 years after independence, Indian universities have been performing the same old two functions : providing degree education mainly as a gateway to employment (which incidentally explains the supreme importance which has come to be attached to examinations based mainly on memory test rather than analytical abilities of candidates) and second, transmitting to Indian youths a culture which is basically alien.

The author in the course of his study has analysed organisational patterns, institutional structures and standards of educational performance of candidates. On the basis of his analysis, he has arrived at the conclusion that "...the affiliating system as it now stands is dysfunctional in terms of the rising expectations" of youths in independent India.

The general impression which the reader gets after reading this book is that the research is carried on at a superficial level. Use of highly technical phraseology and sophisticated level of treatment adopted by the author do not hide the basic superficiality of the treatment of the subject and the all-too-well-known conclusions arrived at.

In a study published in 1981, one hardly gets any knowledge about political interference in the administration of affiliated colleges and even in university centres, continually falling standards both of teaching and education, vast malpractices in university examinations, loss of credibility in these examinations and degrees, and increasing politicisation of the educational sphere using student population for political purposes by all political parties. All these serious developments in the educational sphere at the college level hardly find even a mention in this study. One is therefore hardly any the wiser after reading this book.

SALES TAX

Sales Tax System in Bihar is based on a revised version of the report entitled 'Rationalisation of the Sales Tax System in Bihar' originally submitted to the Government of Bihar in 1979 by the National Institute of Public Finance and Policy (NIPFP) which was entrusted with the work by the Government of Bihar.

The NIPFP was asked to examine the prevailing structure of the sales tax in the State of Bihar from the point of view of fulfilling the objective of optimum collection, to formulate system of continuing evaluation of the system of taxation, and its impact on trade and commerce. The prevailing rates of sales tax on different commodities were to be examined with a view to suggesting a rate structure which would bring in an optimum amount of tax revenue without at the same time adversely affecting trade and industry.

Of relatively recent origin, the sales tax has come to occupy an important place in the fiscal structure of the State of Bihar (as also in most other States in India). For example, in Bihar sales tax yields 54.7 per cent of the total tax revenue of the State which is only slightly lower than the average for all the States in India (which is 56 per cent). It is observed that in Bihar the receipts from sales tax increased from Rs 10 crores in 1960-61 to Rs 114 crores in 1976-77. Alongside the growth in absolute terms, the relative importance of sales tax has also increased over the years. Thus the contribution of sales tax to the State's own tax revenue increased from

33 per cent in 1960-61 to around 55 per cent in 1976-77. The contribution of sales tax to the State's own tax revenue increased at a compound annual growth rate of 14.8 per cent whereas the growth rate of tax revenue excluding sales tax was around only nine per cent per annum. This shows the growing importance of sales tax revenue in comparison with other sources of tax revenue in the State of Bihar. And yet the study has shown that "the rate of growth of sales tax revenue in Bihar has not been as high as in most other States in India."

Buoyant & Elastic

It is observed that sales tax in Bihar is both buoyant and income-elastic. But the buoyancy and elasticity of sales tax in Bihar are seen to be low compared with those in most other States.

Sales tax in Bihar has undergone considerable changes both in respect of point of levy and coverage. Initially a selective tax was levied in 1939 and general sales tax came to be levied for the first time only in 1944. It was a single-point tax to begin with but was gradually changed to multi-point levy. It is observed that after a span of 18 years of multi-point levy, Bihar has again reverted to a single-point system. The sales tax as levied at present is mainly a first-point levy, although in theory the tax is at the last-point on all goods other than those notified to be taxed at the first point.

Thus the basic structure of sales taxation in Bihar is heavily biased towards the first-point levy and the State is heavily dependent on that levy for the bulk of its revenue, even though several important commodities are taxed at the last point. The picture that emerges is that of a structure with generally high rates imposed on a narrow base. It is observed that even with a low general exemption limit of Rs 25,000, the total number of assessment did not exceed 30,000 in a State with a population of six crores and with State domestic product of Rs 3,826 crores in 1976-77.

There is multiplicity of rates and the existing differentiation in rates appears to be the result of ad hoc decisions made over the years. It is unfortunate that no rationalisation of sales tax structure has so far been attempted in the State of Bihar.

While there is a case for rationalisation of rate structure, according to the study, there appears to be little scope for raising rates of the first-point levy to increase revenue. It seems clear that in the ensuing years, additional mobilisation will have to come through attempts to improve administration of sales tax, to check evasion and to capture at least part of value-added at stages subsequent to manufacture and import.

Sales tax is a bad system from the point of view of equity, cost of collection, ease of evasion, scope for bribery and corruption and adverse effects on production and distribution of commodities. The Union Government has therefore been proposing that States should abolish sales tax which might be replaced either by uniform central sales tax or additional excise duties which may be shared with States. But States generally have shown unwillingness to accept this move. The consequence is that this theoretically bad tax not only continues but in fact has been playing a dominant role in practically all the States' own tax revenue. Things being what they are, the only course left open to Government of Bihar is to bring about speedly the improvements in the sales tax structure and its administration as suggested by this expert study by the NIPFP.

TAX PLANNING

This is the second and revised edition of the book *A Treatise on Tax Planning* which goes to show that people in general are taking increasing interest in tax planning. The two salient features of the second edition are that this time a chartered accountant is associated with the preparation of the book and that has brought in the accountant's perspective to the discussion of several topics, and second, the revised edition has taken note of the amendments introduced by the Finance Acts of 1980 and 1981 and the case laws reported subsequent to the publication of the first edition. Naturally these two features have enhanced the utility of the book to those concerned with tax planning.

The recent amendments in the Direct Taxes Acts provide for a minimum imprisonment of six months and a maximum of seven years for adopting illegal methods for non-payment of tax or reducing tax liability or indulging in fraudulent estate planning. It is in this context that problem of estate and tax planning becomes an important and serious subject, if one wants to reduce one's tax liability to the minimum within the broad framework of the prevailing laws of the country.

Legitimate Exercise

It must be realised that tax planning within the broad framework of the laws of the country is quite legitimate and courts will not and are not entitled to take unfavourable view of such tax planning...."provided the planning is not only genuine but is in accordance with the law as pronounced by the Statute and decided by authorities of various Courts." Tax planning therefore is something which a tax-payer is entitled to adopt without any blame. He would under such circumstances incur neither legal penalties nor moral censure of society. It should be noted that avoidance of payment of a tax is not the same thing as tax evasion and therefore the former carries no ignominy about it whereas the latter is illegal inviting due punishment by Government.

The true concept of tax or estate planning should be to arrange property ownership within the family group in such a way that it would bring the owner and the family members the maximum enjoyment and security which such ownership of property can possibly provide. The second objective that is to be borne in mind is to leave the estate after one's death in such a manner that it attracts the least estate duty liability.

The author has rightly pointed out that to lead the estate owner through the intricate and highly technical labyrinth of tax planning requires the guidance of a taxation expert who is familiar not only with various tax laws and tax liability of his client but also with a number of other related laws, court decisions, circulars and notifications. The tax counsellor will also have to be a keen observer of human nature, Government policies, political and economic philosophy of the ruling party and the possible trends which are likely to emerge in future. The tax counsellor must also be well acquainted with the past history of his client, his present position and his family's future plans and problems.

The tax adviser will have to secure full information about names and ages of tax-payer's immediate family members and dependents, complete financial information concerning his property presently owned and sources of income presently accruing to him, the same information about various members of his family, full information regarding the tax-payer's debts and liabilities and above all his personal ideas and philosophy for the maintenance and welfare of himself and his various family members in future.

Various Permutations

With this information the tax adviser should then work out various permutations and combinations and find out what will be the tax effect on the estate and income, if each plan is looked at from various angles. It is very important that while tax planning is being formulated, the tax adviser should keep in mind the flow of cash to discharge day-to-day obligations of his client, payment of premium, payment of various taxes, unforeseen requirements such as unexpected sickness in the family and so on.

While considering tax planning, the author has emphasised that stress should be on correct interpretation of various tax laws concerning income, estate and succession of property, capital gains, trusts and exemptions provided in all these laws.

This treatise is excellently written but the only hitch is that while an ordinary citizen will understand the need for tax planning and its importance, the book with provisions and sections of various acts and their technical interpretations will hardly help him directly in view of the extremely complicated nature of the subject. But there is however no doubt that the book will be found useful by tax counsellor to properly advise their clients as to how to evolve and execute tax planning so that the client and their families will be in a position to enjoy in a legitimate way their income and wealth to the maximum possible extent by reducing tax liability to the minimum strictly within the framework of the existing taxation laws.

Tips on Management

Managing Large Organisations : Prof. Ishwar Dayal et al.; All-India Management Association; Pp 211; Price Rs 30 Paperback, Rs 60 cloth bound.

Reviewed by **Satish Agarwala**

'MANAGEMENT' is possibly the single most important factor in the equation of productivity, the key parameter to evaluate the working of an organisation. As we move towards higher and higher degrees of industrialisation, the managerial function, now widely considered as a scientific art, has a vital role to play. This fact assumes still greater significance in the context of developing countries where the problems of managing are entirely different from the managing problems of developed countries. There have been continued efforts in some of the developing countries to establish the relationship that management practice has with the various factors such as environmental, cultural and social.

Management styles and practices are sensitive to several parameters such as degree of industrialisation, size and growth rate of organisation being managed, type of product or service being rendered, quality and quantity of human skills being utilized, degree of automation employed and last but not least, the industrial atmosphere prevailing around the organisation. *Managing Large Organisations* is a sincere attempt towards understanding and evaluating these relationships. It is a comparative research study conducted in 1978-80 from the University of Lagos, Nigeria. The research team was headed by Prof. Ishwar Dayal and it comprised seven members, all from the University of Lagos.

The researchers have based their findings on the indepth study of five organisations, three of them managed by Nigerians and two by expatriates, all based in Nigeria. Although this study has the background of just one African country yet its findings should be true, to some extent, for other developing countries also.

In the process of management, two most important organs interacting with each other are "employee" and "management". It is, therefore, essential that various facets of these two be studied thoroughly to understand, evaluate and improve upon the management practice. The authors achieved this by choosing, at random, 256 employees drawn from four large organisations in Western Nigeria. To predict their behaviour, their attitude, background, values, job satisfaction, needs and priorities in life had to be identified and understood.

A sample Nigerian employee turns out to be a traditional young man with less than secondary level education but willing to adopt the modern values. He is generally with a rural background and maintains these connections. He is aware of his obligations and considers financial incentive to be more important. Money is most important consideration in seeking employment. Job security comes next. He prefers repetitive type of work but is willing to accept change. Above all, he is sincere and honest to his work. These characteristics have implications on management process to be adopted, for managing change, for personnel policy and for designing the work system in an organisation. This is true for Nigeria as well as other developing countries where the traditions of rural communities are strong and the needs of the modern outlook will not be denied. Similar characteristics were observed during earlier similar studies in India, Tanzania and Kenya.

There is an urgent need to identify and deal with typical management problems. Authors, for this purpose, chose organisations with different interests like transport, education, manufacturing of a consumer product, manufacturing of an intermediate product and management of ports. For all these organisations various aspects of managing were grouped into managerial functions, processes and environment. Based on these studies, a typical Nigerian manager turns out to be "a young man in his mid-thirties, with a graduate degree and perhaps training abroad. He is ambitious and generally a self-centred man liking to use his authority. He is willing to change jobs often if he feels that he is not moving up fast enough or that he is not close to the people in authority.

It is very important to note the basic difference between the management practice to be followed in developed and developing countries. We shall have to evolve management systems for our respective countries that would be different from what we have imported from the West.

Adjustment Difficulties

The structure of human organisation with- in a company nearly always differs from that prevailing in the society around it. An employee, therefore may find it difficult to adjust to the foreign culture and may get confused in the process. This is what happens when the management culture is imported from developed countries where there has been sufficient time for an adjustment between the social system of the organisation and that of the wider society. In the developing countries, this kind of adjustment may well occur over a long period of time during which management could take appropriate measures to facilitate the change. The stresses of changing from backward or rural to industrial identity are severe. It is where management requires to have a deep understanding of employee behaviour under various circumstances. Setting up of proper channels of communication, both horizontal and vertical, establishing motivation and incentive schemes for employees at various levels, performance evaluation and self-appraisal schemes are only a few of the measures that require understanding of employee behaviour.

A systematic and relevant programme to develop manpower and technology and suitable management techniques is essential for a developing country. The elements of investment, entrepreneurship, trained personnel and technology shall have to be acquired indigenously. Then only will the need for multinationals be reduced and eventually become extinct.

This book discusses some fundamental management questions which confront the students and teachers of management. There are, however, some directions for managers, too.

Books Received

Magisterial and Police Guide : S.K. Ghosh; Light & Life Publishers, 2428 Tilak Street, Paharganj, New Delhi-110 055; Pp 123; Price Rs 15.

Tribal Economy of India : P. Ramaiah; Light & Life Publishers, New Delhi-110 055, Pp 207; Price Rs 75.

The Indian Economy—Resources Planning Development & Problems : Ishwar C. Dhingra: Sultan Chand & Sons, 23, Daryaganj, New Delhi-110 002; Pp 1370; Price Rs 45.

Women in Policing : S.K. Ghosh; Light and Life Publishers, New Delhi-110 055; Pp 155; Price Rs 50.

Small Farmers Development Programme: S.M. Pandey & J.S. Sodhi; Shri Ram Centre for Industrial Relations and Human Resources, 5, Sadhu Vaswani Marg, New Delhi-110 005; Pp 251; Price Rs 70.

Industrial Conflict : Ramachandra Raj; Light & Life Publishers, New Delhi-110 055; Pp 168; Price Rs 50.

Nehru's Idea of History : T.K. Ravindran; Light & Life Publishers, New Delhi-110 055; Pp 143; Price Rs 50.

Police in Ferment : S.K. Ghosh; Light & Life Publishers, New Delhi-110 055; Pp 140; Price Rs 50.

Development Finance for Small Farmers: N. Mohanan; Rainbow Publications, 471. M.T.P. Road, Coimbatore-641 011; Pp 298; Price Rs 60/$10.

Cost Accounting : S.P. Arora and T.S. Soni; Pitambar Publishing Company, 888 East Park Road, Karol Bagh, New Delhi-110 005; In 5 sections; Price Rs 40.

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Management Planning Development and Training for the Competitive Managerial "Dynamic Difference"

I.T.C. Limited

EXCERPTS from Chairman's Speech at the 70th Annual General Meeting held on 27.8.81

A. INTRODUCTION:

Ladies and Gentlemen, good afternoon and welcome to the 70th Annual General Meeting of I T C Ltd

B. REVIEW:

The Report of the Directors for the year ending 31st March 1981 is already with you I would, however, like to comment on certain aspects of special importance

1 FIRSTLY The improved net profit by Rs 82 lakhs, representing an increase of almost 15% over the previous year, in tune with the rate of inflation, needs to be viewed in the perspective of a significant adverse circumstance in the light of which, I am sure, you will agree with me that the performance has been more than satisfactory, making possible a welcome increase in the Dividend

The year commenced under the shadow of an illegal strike which began on 21st March 1980 in the India Tobacco Division's largest factory at Bangalore where full production was not resumed till 15th October 1980 This situation caused by a small irresponsible group, led to a loss in production of 5,800 million units, in Company revenue of Rs 70 crores and in the trading contribution of Rs 5 crores

2 SECONDLY On behalf of the Board of Directors and myself I would like to express our gratitude and thank all employees of ITC for their dedication and loyalty that has made the improved performance possible The Management and employees of the India Tobacco Division, particularly those in Bangalore and their families, merit special commendation considering the tension and threats of violence they resolutely withstood Through effective Management the Division more than made up the losses, improved on the results it had planned to achieve for the year and before year-end it had recovered the gains the competitors had registered when the Company's products were in short supply

3 THIRDLY There have been a number of changes in the Board of Directors In February 1981 Shri S B Aibara retired as Vice Chairman and Executive Director after 34 years of meritorious service in I T C Ltd ITC would not be an effective and growing organisation without his colossal contributions Our gratitude can, perhaps, be best expressed by my tabling for this Meeting the letter I addressed to the entire ITC organisation upon his retirement and I would like you to join me in a fitting ovation to him and thank him for continuing his association with the Company as the Corporate Affairs Counsellor

Shri R C Sarin resigned with effect from 1st August 1981 to take advantage of an opportunity to improve his prospects I would like to record appreciation of his services to ITC and wish him well in his new position I would also like to thank Shri M S Nagratha for his help as a Non-Executive Director and welcome Shri G C Katoch as his replacement, who we look forward to having with us representing the IFCI.

The Board has been strengthened with the appointments of Shri S K Mehta and Shri K L Chugh as an Executive and Non-Executive Director respectively. The former has been with ITC since January 1955 as a career professional Manager and is currently the Chairman of the India Tobacco Division and, in this capacity, has been greatly responsible for the excellent performance of his Division in last year s difficult circumstances The latter joined ITC in November 1971 In 1975 Shri Chugh was given the responsibility for Bhadrachalam Paperboards in the creation and development of which he has been the main architect I am sure Members would like to join me in welcoming both Shri Mehta and Shri Chugh and to wish them every success and good fortune in the future.

4 FOURTHLY The Company's constant pursuit of excellence has once again been well rewarded The ITC Welcomgroup Mughal Sheraton Hotel received the International Aga Khan Award for Excellence in Architecture in October 1980 -- the very first Hotel to do so in India

The Printing & Packaging Division was awarded two Certificates of Merit for Excellence in Quality of Print and Design by the Ministry of Information & Broadcasting, Government of India, at the 21st National Awards Presentations in November 1980

5 FIFTHLY It is extremely heartening that at long last the Government of India has taken a pragmatic approach to the Cigarette Industry and the Excise Taxation thereon It has been the plea of the Industry that a rationalised and even reduced Excise structure would provide greater revenue, greater tobacco leaf foreign exchange earnings, assist the farmers, provide substantial benefits to the economy, eliminate man-made inflation and avoid unnecessary burdens on the consumers

The Hon ble Finance Minister is to be congratulated on his bold measure to not increase the Cigarette Excise Duties in the Budget of February 1981 The stand of the Industry has already been vindicated specially in respect of Government Revenue In only 4 months, the Revenue given by ITC alone is higher by Rs 44 crores, and for the year the total increase in Revenue is estimated at Rs 74 crores, which is larger than in any year in which the Duties have been raised. It is my humble submission that, if the Excise Duties cannot be reduced, then there should be no change in the present Excise Structure for a period of at least five years

6 LASTLY While it is appreciated that for economic development, resources have to be raised by the States, I would submit that the development of such resources needs to be within a framework of fiscal and economic policies rather than as straight-line calculations of revenue

C. MANAGEMENT PLANNING DEVELOPMENT & TRAINING:

The aspect I wish to communicate on this year is Management Planning Development and Training which represents the translation, into practice, of the Company's two supreme tenets that (1) People Are Its Most Valuable Asset and that (2) The Best Means of Growth Come From Within

It is ITC's firm conviction that, supported by Physical Resources and Technology, the Quality and Effectiveness of knowledge-based Managers of an enterprise, individually, and collectively, represent a "Dynamic Difference".

D. MANAGEMENT DEVELOPMENT — THE MANAGER — OBJECTIVES — STRATEGY:

Management Development has to be founded on a Corporate Culture. The main features of your Company s thinking on three aspects are as follows

THE MANAGER:

1 The Manager desires congruence between his aspirations and Company purposes He not only seeks but accepts responsibility, to make it possible for him to give of his very best and derive job satisfaction.

2 The Manager expects to be rewarded in consonance with his merit He is motivated, however, by having involvement with the objectives of the Company and the Country, and looks forward to the fulfilment of a career

THE OBJECTIVES:

1 The objectives of the Company are defined as making the Manager more effective at each level in his current job, to provide opportunities to evaluate the Manager's capabilities, to train and develop him for higher responsibility and to man the present and future organisation structure with the right man who is fully competent both as an executive and as a member of a team

2 The overall purpose is to create and maintain a Competitive Managerial Dynamic Difference in the Management Group

THE STRATEGY:

1 The first leg of the Strategy for Development and Training is to place equal emphasis on the prospective or existing Manager as an individual, as a participant in teams and as a member of the ITC Management "brotherhood".

2 The second is to create capabilities for promotion from within and enable the Management Group to be composed, to the extent of 33%, of individuals who have risen from the non-Managerial levels and the ranks.

3 The third is based on the concept of a "Pupil", who grows towards achieving his potential and making a career for himself starting with a strong grounding in a basic function, progressively moving into a full-fledged Proneurial Businessman combining professionalism with the best of entrepreneurship.

4 The fourth is to have an open three tiered appraisal system assessing capability and potential on the basis of performance in diverse situations, with the fundamental purpose of providing tailor-made training to overcome weaknesses and/or gaps in knowledge in respect of the current responsibility and to

identify in which area and how the individual Manager can and should be prepared for higher responsibility in competition with other Managers in his Division and the Company, the latter, in particular, for positions in Senior Management jobs

E. MANAGEMENT DEVELOPMENT AND TRAINING — ORGANISATION AND INFRASTRUCTURE:

1 The Organisation Structuring and Infrastructure to support Management Development and Training has evolved since the first ITC Training Centre was set up in Aldeen, Calcutta in 1957 to suit the changing needs of the Company, as it has grown to become a multi-product business with clearly defined responsibilities between the Centre and the individual operating Divisions

2 At the Corporate Headquarters, the Manpower Development Group, provides Consultancy and Service to the Operating Divisions of the Company in the areas of (i) Organisation Development (ii) Management Development (iii) Supervisory Development (iv) Managerial Recruitment and Selection It also conducts Applied Research in the field of Management to develop knowledge to suit the circumstances and culture of India This Group concentrates on developing and combining Managerial Excellence, Commitment and Functional Expertise

3 The Training of Managers for the specific individual businesses of ITC is the responsibility of each of the Operating Divisions To this end each Division has created and is building up its own Training Organisation and Infrastructure Examples only are

(i) The India Tobacco Division have a Technical Training Centre in Bangalore and Special Training Cells in each of their factories The Training is imparted by Specialist Training Managers The three Instructors at the T T C handle 15 trainees per programme The Cells have two Instructors each who handle 5 'students per programme

(ii) The Indian Leaf Tobacco Development Division runs an Agricultural Research and Training Centre at Hunsur in Karnataka where Trainees are also expected to raise seedbeds, grow a crop, cure the tobacco and grade it The Trainees work also with farmers, and have the support of a Field Laboratory

(iii) The ITC Hotels Division Welcomgroup operates a Hotel Management Institute in Delhi to provide on-the-job, and class-room teaching in the Centre, in its mock restaurant and in the Chain Properties The Institute also Trains Trainers to man Training Cells in the major Hotels

(iv) The India Tobacco Division runs its own formal programmes for Trainees and Pupils on probation covering a period of anything up to two years

4 Advantage is taken of external opportunities, both in India and abroad Examples of the latter are.

(i) The facilities made available by the Overseas Shareholders — BAT — at their Management Staff Training and Development Centre at Chelwood in the U K. and in the various territories where they operate with particular reference to South East Asia At Chelwood, special programmes, such as the Managerial Grid Seminar and the Business Manager Course, are also available.

(ii) The facilities provided by Sheraton International Hotels under their Marketing and Reservation Services Agreement with ITC, from which very special benefit is derived for the development of General Managers and Executive Chefs of the Welcomgroup.

(iii) The Hotels Division have also been sending some of their staff for courses at the Hotel Management School and Institute at Cornell (U S A) and Lausanne (Switzerland) respectively

F. TRAINING AND DEVELOPMENT — THE ONGOING FLOWLINE:

The creation and maintenance of effective Managers that collectively represent a Competitive Managerial Dynamic Difference through an ongoing continuous process of Training & Development in ITC, has a number of components dovetailing into each other in strategic order to constitute a Flowline

F1. MANAGEMENT PLANNING:

1 The Training and Development is based on the Corporate commitment to manage the business to achieve specified objectives through an all pervading process of Planning leading to the Integrated Plan for the Company

2 In respect of Management, Planning is done for (i) The Establishment (ii) The Organisation Structure (iii) Manpower requirements (iv) Training and Development of Managers based on an analysis of the open Appraisals and the selection of Promotees

F2. PROGRAMMING:

1 The process of Training and Development is related to the Operating Career Ladders covering self-development

2 The programming for training of individual Managers on a tailor made basis and/or development of Groups is based on the Plans earlier referred to These Plans and Programmes are divided in responsibility between the Units Divisions and the Corporate Manpower Development Group as may be relevant The programmes are monitored during implementation and reported on upon completion

F3. RECRUITMENT AND SELECTION:

1 The critical key to Management effectiveness is Recruitment and Selection To combine the principle of Growth From Within and the regular input of new blood . this process, balances the sources for Management intake from within the non Managerial cadres and from the outside

2. The method of Recruitment and Selection is to spell out the requirements as Job Specifications and from these to draw up Person Specifications which cover the attributes, potential and personality traits required of the future Manager The Person Specification leads to "head hunting", resulting in a Choice Inventory

3 The shortened Choice Inventory is followed up by Preliminary Interviews all over India Interviews include written tests to assess aptitude, basic skills and possibility of the applicant s aspirations being fulfilled within ITC

4 The Preliminary Interviews result in a Recommendation of Candidates to be examined by the Headquarters where they are further screened and the short-listed possibles are invited to the Headquarters for an intensive two-day Selection Board investigation The short list is normally not more than ten and the Selection Board is composed of Senior Managers, and personnel experts

5 The Selection Board introduces the prospective Manager to ITC, its Divisions, the businesses of the Company at the same time sharing with the candidate details of the Division, function, the job, expectations, remuneration, etc of the vacancies that exist encouraging the applicant to ask such questions as he may like

6 This is followed by a series of written tests covering various attributes as well as a series of group discussions aimed at uncovering the "whole man"

7 The second day consists of each candidate being separately interviewed by each member of the Selection Board with each interview focusing on identified common and specific factors. This is followed by a "collation" of the processed knowledge and the Board spends time to discuss the candidates On an average 1½ hours are spent by the Board on each candidate

8 The deliberations of the Selection Board lead to recommendations in order of preference of the "final possibles" to be interviewed and considered by the Divisional Board and/or Committee, who then collectively decide upon who are to fill the vacancies

F4. INDUCTION:

The ITC Induction process applicable to recruits and promotees has two major components

1 An 18-month programme to convert theory into practice, to teach and improve skills in the expertise of the job and to understand areas related to the job During this period the "Inductee" is assigned specific projects, evaluated and his progress is watched for adjustment to the functions of the organisation and the people in it

2 After 18 months at the Unit levels the recruit is made to participate in a formal In-Company Induction Programme of a multi-dimensional character mounted by the Manpower Development Group The participants are exposed to depth knowledge of the Company along with sessions on functional specialisms

3 The existing Managers on promotion or inter-Company movement also go through a tailor-made Induction Process

F5. TRAINING AND DEVELOPMENT:

Following upon Induction Training and Development, in the variety of ways mentioned earlier, is an ongoing process throughout the career of the Manager even when he has reached the top, indeed the Chairman and Directors, in a sense, set the example to Managers to learn constantly within the exploding frontiers of Management education Three specific aspects require mention

1 For Supervisory efficiency the programmes are in the form of General Management in which the participants are exposed to the principles of functional specialisms

2 For Management effectiveness, Programmes and Workshops are run throughout the year These are related to Environmental Management, Management by Objectives, Business Planning, Management Information Systems, Business Economics, Time Management and more specialised understanding of the multifarious functional disciplines

3 For sharpening Supervisory efficiency and Management effectiveness, Organisation Development includes the planned intervention in Operating Divisions for increasing the effectiveness of their systems and creating the climate in which Managers function with Motivation. The activities include reviews for planning, developing structures, Base Plans, Job Profiles, the Appraisals System

G. CONCLUSION:

In conclusion, I hope today s expose on Management will give even greater confidence to the Shareholders that their investment is more than secure and will continue to provide improving actions in the years ahead The current year has begun well and, unforeseen circumstances apart, should end even better As to the future, as an optimist, I have every confidence that ITC will grow and be even more efficiently profitable

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This does not purport to be a report of the proceedings of the 70th Annual General Meeting.

STATE OF THE ECONOMY

Rajasthan Finance Corporation

MR R.D. Thapar, Chairman, Rajasthan Financial Corporation stated at the annual general meeting that all these years, the corporation has tried to make its contribution to the strengthening and diversification of the industrial base in the State. It has attempted to reach the entrepreneurs in most backward, isolated and inaccessible areas of the State, which is reflected by the fact that 4582 applications received during 1980-81 by the corporation were more than 50 per cent of a total of 8659 applications received in the previous 25 years. Similarly the sanctioned applications numbering 2937 during the year represent 45.58 per cent of 6440 loan applications sanctioned till March, 1980. Sanctions in monetary terms in 1980-81 amounted to Rs 37.39 crores as against Rs 100.70 crores in the previous 25 years. It is thus apparent that the activities of the corporation have now gathered significant momentum and thrust.

The recovery of the loans advanced is a problem which is being faced by all the term lending institutions including the State Financial Corporations and Rajasthan Financial Corporation had its own share of problems and difficulties. The main strategy adopted by the corporation was a constant and concerted follow-up of the defaulting units. A system has been devised which enables the Branch Manager to get in touch with the borrowing units sometime prior to the date on which the amount falls due. Because of the consant follow-up the corporation has been able to recover Rs 883 lakhs against Rs 1122 lakhs which fell due in 1980-81. This represents a recovery of 78.35 per cent against 71.81 per cent in the previous year. The overdues at Rs 867 lakhs show a marginal increase of Rs 153 lakhs as compared to an amount of Rs 714 lakhs overdue on March 31, 1980. However, the overdues as a percentage of loan outstandiag have gone down from 15.49 per cent as on March 31, 1980 to 12.66 per cent on March 31, 1981.

This scale of operations has been possible because of the liberal support extended to the corporation by the State Government and the Industrial Development Bank of India. The State Government despite its own financial constraints provided share capital of Rs 160 lakhs to the corporation in the year under review as against the budgeted provision of Rs 85 lakhs. The IDBI extended similar support. This capital enabled the corporation to get refinance of Rs 1761 lakhs during the year under review against Rs 1299 lakhs in the year ended March 1980 representing an increase of 35.57 per cent. In addition, the corporation also raised bonds of the value of Rs 605 lakhs in the year under review against Rs 578 lakhs in the previous year. Resources were also augmented by the recoveries of the order of Rs 883 lakhs representing an increase of 50.56 per cent over the previous year.

High Utilisation by Cement Corporation

The Cement Corporation of India (CCI), has achieved capacity utilisation of 89 per cent in its four operating plants—total production being 71,969 metric tonnes—during August, 1981 against an all-India average of about 73 per cent by the cement industry in general.

In spite of difficult locations and exacting working conditions of its plants at Rajban (Himachal Pradesh) and Bokajan (Assam), CCI is set to achieve 100 per cent capacity utilisation in these plants during the current quarter (Rajban 49.408 MT—previous quarter 42,908 MT, Bokajan 49,800 MT—previous quarter 39,600 MT. Kurkunta (Karnataka) is also set to achieve 100 per cent capacity utilisation (49,800 M.T. –previous quarter 21451 MT, and its oldest plant at Mandhar (Madhya Pradesh) is also set to achieve 115 per cent capacity utilisation during the current month (38.600 MT – previous month 20,184 (MT).

CCI's Operations

CCI has presently operating plants located at Mandhar, Madhya Pradesh (capacity : 3.80 lakh tonnes), Kurkunta, Karnataka (capacity : 2 lakh tonnes), Bokajan, Assam (capacity : 2 lakh tonnes) and Akaltara, Madhya Pradesh (capacity : 4 lakh tonnes). Akaltara unit has gone into production only this year. Two plants are under trial runs at Nayagaon, Madhya Pradesh (capacity : 4 lakh tonnes) and Yerraguntla, Andhra Pradesh capacity : 4 lakh tonnes). Charkhi Dadri which has recently been handed over to CCI has started trial runs and two projects, namely, Adilabad , Andhra Pradesh (capacity : 4 lakh tonnes) and Tandur, Andhra Pradesh (capacity 10 lakh tonnes) are under execution.

The Cement Corporation has also earned a profit of about Rs 70 lakh during the current financial year as compared to the profit of Rs 39.06 lakh during 1980-81.

Even Akaltara unit of the corporation which went into production this year has given profit. Charkhi Dadri unit which was handed over to CCI in the last week of June after remaining closed for 15 months has been revamped in a record time of about two months. It has already started grinding cement, utilising clinker brought from another unit of the corporation.

CCI has also developed a very strong consultancy division for undertaking cement projects on turn-key basis from concept to commissioning. Adilabad and Tandur projects are being handled by this division resulting in a saving of over Rs 2.5 crores in consultancy fee. CCI has started its main thrust on energy conservation and cost consciousness. Standard norms for consumption of power, coal, consumables etc. have been laid and close monitoring of the performance in relation to them is being done.

Maximising Rice Procurement

The Union Government has asked the paddy growing States to formulate draft levy orders to maximise procurement of rice. It has told the States that in their draft orders, percentage of levy should be maximum consistent with need to maintain open market availability and stability of prices.

Where mill levy does not exist the States have been asked to impose a levy to ensure timely collection of rice in sufficient quantities. Apart from levy on millers, it has been suggested that the States may impose levy on wholesale trade also where it has not been so. The States may see that no rice millers undertake custom milling of paddy without obtaining permit from a competent authority for quantity stipulated in the permits.

In their draft levy orders, the States have been asked to make necessary provision for prior approval of Central Government in increasing or reducing levy liability. It has been pointed out to the States that adoption of Central Government specifications will ensure smooth procurement operations and take over of rice for Central Pool where a departure in specifications is contemplated, the States shall obtain the prior approval of the Central Government.

The Centre has also asked the States that while fixing levy percentage, they should also lay down outturn ratio for each variety of paddy. With this the levy will not be evaded by millers. In the rules the States may also reserve powers to direct the rice millers to convert paddy held by State Government or their agent into rice.

The States have also been advised by the Centre to provide in the draft rules a provision for levy on paddy moved out of the State, to guard against the possibility of paddy coming to markets being purchased and moved out of the State by private trade with a view to frustrating the procurement efforts.

Transport Development Council

Inaugurating the recent meeting of the Transport Development Council, the highest body of the Government in matters relating to roads and road transport, the Union Minister for Shipping and Transport, Mr Veerendra Patil, stated that road transport in India has and will continue to play a dominant role, not in competition with or to the detriment of the growth of other modes, but in harmony with them. The Minister said " "What worries me is not the role or even the future of road transport, but the problems of the industry. I am also greatly worried about the mounting road accidents. More than 20,000 persons were killed and 150,000 injured during the year 1980. This year also has witnessed, in quick succession, some of the worst accidents in the history of road transport. This is an alarming situation. It signifies the inadequacy of our efforts in this direction so far.

Mr Veerendra Patil said that he would like to draw attention of the members to the proposal to set up a National Institute of Road Transport Research and Statistics. The need for an authentic data base for this sector cannot be overemphasised. No worthwhile transport planning for rural as well as urban areas or for inter-State movement could be planned in the absence of an adequate data base.

National Permits

Referring to the quota reserved for Scheduled Castes and Scheduled Tribes for the allotment of National Permits the Minister said that he would like the members to consider what steps should be taken to ensure full compliance of the statutory requirement. He commended for adoption with or without modifications, the scheme formulated by the Director of Transport Delhi Administration, under which some members of Scheduled Caste and Scheduled Tribe communities were helped in the matters of securing: (a) bus chassis from the manufacturers on priority; (b) raising loans up to 80per cent of the capital value of the bus at 11 per cent interest from the State Bank of India; and (c) raising another loan representing 15 per cent of the capital cost of the bus from the State Government through its social welfare department at a nominal interest rate of four per cent. Thus only five per cent of the cost was met by the owner.

The Minister said that the road sector on which we have already invested Rs 4,000 crore since Independence has been given high priority in the Sixth Plan in recognition of its important role in our developmental programmes. The Sixth Plan provides Rs 3,489 crores for road development, the largest ever outlay in any single Plan. The break up being : Rs 830 crore in the Central Sector, Rs 1165 crore for rural roads programme and Rs 144 crore for other roads in the sector.

Mr Patil said that he was aware that even this massive infusion of funds in this sector will not satisfy our requirements of linking our remote villages with the mandis and towns but he did not share the view that this allocation is not adequate to meet our immediate needs He pleaded for priority being given to the construction and completion of missing road links and unbridged road crossings in the background of the need to reduce travel distances which will in turn result in quick turn round of vehicles and saving in fuel consumption.

Indo-USSR Cooperation in Drugs 'Industry

The Secretary, Department of Chemicals and Fertilisers in the Ministry of Petroleum, Chemicals & Fertilisers, Mr K.V. Ramanathan, led a three-man delegation to Moscow to discuss with the Soviet authorities matters pertaining to cooperation between the two countries in the field of drug industry.

The other two members of the delegation were Mr P.N. Devarajan, Chairman, Indian Drugs and Pharmaceuticals Ltd and Dr P.K. Roy, Drug Adviser to the Department of Chemicals and Fertilisers.

Discussions at Moscow were to cover the development of phyto-chemicals in which the Soviet Union has shown interest.

Margin Money with States Increased

The Centre has placed Rs 100.55 crores at the disposal of the State Governments as margin money. This amount, based on the recommendations of the Seventh Finance Commission, is almost double that of the money meant for this purpose prior to April 1, 1979.

The margin money forms part of the States non-Plan budget and is meant to meet immediate requirements of relief. When the States exhaust this amount they ask for additional funds from the Centre and a Central team visits the affected States to assess the additional financial requirements.

The amount of margin money with the States at present is as under:

(Rs in lakhs)

State	Margin money after 1.4.79
1. Andhra Pradesh	858
2. Assam	346
3. Bihar	1308
4. Gujarat	956
5. Haryana	147
6. Himachal Pradesh	51
7. Jammu & Kashmir	130
8. Karnataka	200
9. Kerala	159
10. Madhya Pradesh	183
11. Maharashtra	457
12. Manipur	8
13. Meghalaya	7
14. Nagaland	14
15. Orissa	871
16. Punjab	268
17. Rajasthan	774
18. Sikkim	1
19. Tamil Nadu	859
20. Tripura	18
21. Uttar Pradesh	1080
22. West Bengal	1360

West German Assistance

India will receive DM 360 million (equivalent of Rs 133.92 crores) as financial assistance for the year 1981-82 from the Federal Republic of Germany under an agreement signed between the two Governments recently.

The agreement was preceded by negotiations on economic cooperation which began on September 21, in a friendly atmosphere of mutual trust. Mr M.R. Sivaraman, Joint Secretary in the Ministry of Finance led the Indian delgation. The FRG delegation was led by Dr Franz Klamser, of the Ministry for Economic Cooperation, West Germany.

Out of the assistance provided by the Federal Republic of Germany, DM 235 million (Rs 87.42 crores) is earmarked as project aid. The project aid will be used to part finance Agricultural Refinance and Development Corporation's Credit Project IV, Korba 500 MW Turbo-generator set, Singrauli 500 MW Turbo-generator set, the Neyveli Lignite

Corporation's second mine cut and power station's expansion project.

The remainder of the assistance will go for import of capital goods, DM 40 million (Rs 14.88 crores), for the Industrial Development Bank, DM 40 million (Rs 14.88 crores) and for commodity aid, DM 45 million (Rs 16.74 crores).

In addition, technical assistance in the form of equipment, services of experts and training facilities amounting to approximately DM 36 million (Rs 13.39 crores) will also be made available to India in the current year for the Indo-German Technical Cooperation projects.

During the negotiations between the two Governments, it was agreed that greater attention should be paid to rural development, including agriculture and water supply, development of energy resources and elimination of bottlenecks in the economy while selecting projects for Indo-German cooperation.

India-Botswana Trade Agreement

A memoranda of understanding was signed recently between India and Botswana in the field of economic development, particularly the development of small-scale industries. It was signed on behalf of India by Mr S.M. Ghosh, Secretary, Ministry of Industry, and on behalf of the Republic of Botswana by Mr L.M. Mpotokwane, Secretary, Ministry of External Affairs.

Both sides agreed that the peoples of Botswana and India have a common interest in economic development, and in the development of small-scale industries in particular, and they expressed their desire to cooperate in sharing of technical knowledge as well as expertise.

India would assist Botswana in the establishment of a comprehensive structure for the development of small-scale industries. An expert team from the Organisation of Development Commisioner, Small-Scale Industries, would visit Botswana shortly in order to prepare a detailed plan of action including the organisational arrangement for the establishment of Botswana Small Industries Development Organisation. India would also assist in the selection and training of Botswana personnel in the field of industrial development.

It was agreed that a separate team of Indian experts from the Organisation of Development Commissioner, Small Scale Industries, and National Small Industries Corporation would visit Botswana to assist in establishing a model industrial estate.

Paradip Steel Plant

The Rs 3500-crore contract for the construction of the first phase of the Paradip Steel Plant has been awarded to the British consortium, Davy International. The Union Cabinet is understood to have formally approved the award. Davyi International won the contract against stiff competition with the West German combine Demag-Mannesman which had offered a loan package of $2.8 billion.

An official press releases aid, the Government has decided to entrust the work to M/S Davy Mckee subject to satisfactory settlement of the terms and conditions relating to technical, commercial, financial and other related aspects pertaining to the project and its implementation."

It is learnt that Davy International has agreed to raising the foreign exchange component of $2800 mllion through Eurodollar borrowing. The UK aid is roughly $220 million which will be in the form of grant.

Paradip Steel Plant will be the second shore-based steel

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plant in the country, the other being at Vizag in Andhra Pradesh where construction work on the Soviet aided project would start shortly.

The Paradip Steel Plant would be set up on a turnkey basis and its annual capacity would be five million tonnes which could be doubled later.

Utilisation of Rice Milling Byproducts

Dr M. S. Swaminathan, Member, Planning Commission, inaugurated on September 24, 1981, a two-day seminar on "Utilisation of byproducts from rice milling industry". Rice milling industry is one of the largest agro-based industries in the country, handling raw material worth Rs 1,000 crores per annum. It is an essential activity in the foodgrain production-consumption cycle as it converts paddy from its inedible form to edible form, rice. In the process, the milling industry releases two byproducts, viz., husk and bran. While husk has been known to have a potential heat value and composition suitable for chemical manufacture, the bran has been found to be a good source of oil and protein.

Subjects discussed at the seminar included the alternative uses existing for utilisation of rice milling byproducts, problems of utilisation of byproducts and evolving of suitable strategy for better utilisaton of rice milling byproducts through development of new agro-based industries which would increase employment and returns to the rice millers.

Towards Reduced Banking Costs

The Governor of the Reserve Bank of India, Mr I.G. Patel, recently called for bringing down the cost of nationalised banking in order to ensure their functioning to fulfil the national aspirations. Otherwise, the burden would have to be on borrowers facing a hike in interest rates or on depositors not getting adequate return on their deposits.

Dr Patel, who was the chief guest at the platinum jubilee celebration of the Canara Bank, the fifth among the nationalised banks, hailed it as the bank which identified itself with the national aspirations since inception, while other Indian banks, operating at that time aligned themselves with leading industrial houses.

He, however, acknowledged the role of Indian banking industry, in the nationalised sector, in mobilising savings from the household sector. The savings which stood at Rs 5,000 crore 12 years ago had now risen to Rs 40,000 crore, and in that the responsibility of the banks in resources mobilisation had gone up from 30 to 60 per cent.

Sixth Conference of Irrigation Ministers

Ways and means for the successful implementation of irrigation and flood control programmes in the Sixth Five Year Plan and improving the availability of essential and scarce materials for the expeditious completion of irrigation projects was discussed at the Sixth Conference of Irrigation Ministers which began in New Delhi on September 30. Rao Birendra Singh, Union Minister for Agriculture and Irrigation presided and addressed the conference. Mr Z.A. Ansari, Union Minister of State for Irrigation also participated in the conference.

State Ministers in-charge of major, medium and minor irrigation, flood control and command area development and senior officials of the Union and State Governments and the concerned departments attended the conference.

The conference reviewed the progress of approved programmes of last year and the programmes for the current year in respect of major and medium irrigation, minor irrigation, command area development and flood control works. Cooperation of the States in the investigation of National Perspective of Water Resources Development Programme for more efficient water management and utilization including modernisation of irrigation systems and introduction of Warabandi and implementation of recommendations of the Rashtriya Barh Ayog also came up for discussion.

Other items on the agenda included drainage in irrigation projects, optimizing the use of available groundwater installation and encouraging use of alternative sources of energy for lifting water.

Colour TV

The Minister of Information and Broadcasting, Mr Vasant Sathe, recently called for an attitudinal change in the electronic industry and said that it should be able to produce cheaper TV sets.

Inaugurating a symposium on colour television organised by Peico Electronics & Electricals Limited, Mr Sathe said thot a colour TV set produced in the country should cost Rs 3,500 to Rs 4,000, exclusive of duties and taxes. He said that TV manufacturers should identify themselves with national interest. He said India had the third largest number of technical personnel and there was no reason why our scientists and technologists should not adopt the latest methods of technology.

Mr Sathe said that while he was championing the cause of electronic industry, he was not getting the required support from the industry. He said that modern technology was not limited by boundaries. Our scientists had scored significant achievements in various fields but they were lagging behind in electronic technology. He expressed the hope that experts attending the symposium would find an answer to this question.

Stressing the relevance of television to rural areas, the Minister said that it could play an important part in spreading the developmental message. He said that the common man in our villages may be illiterate but he was not ignorant. He was receptive to the audio-visual message. During the last 30 years our agricultural production had gone up three times because our farmers were capable of adopting the latest methods of farming.

Names in the News

Mr **Rajagopal**, Managing Director, Lakshmi Mills Co. Ltd, Coimbatore, has been unanimously re-elected Chairman of the Indian Cotton Mills' Federation for the year 1981-82 and **Mr Arvind Narottam Lalbhai**, Managing Director, Arvind Mills Ltd, as Deputy Chairman.

Mr Kantikumar R. Podar has been unanimously re-elected Vice-Chairman of the ICMF for 1981-82.

The Board of Rallis India Limited have appointed **Dr C. A. Varghese**, currently Deputy Chairman of Brooke Bond India Ltd, as the President of the company. Dr Varghese is expected to take over by the end of the year.

Mr Deepak Khosla has taken over as President (Operations) of K.G. Khosla Compressors Ltd, a leading manufacturer of air and gas compressors in the country. He has been with the organization for 12 years and was earlier Vice-President (Administration). Mr Khosla is a technocrat having an electrical engineering degree and recently attended Programme for Management Development at Harvard Business School, USA. He is a Northern Region Committee member of the Association of Indian Engineering Industry.

Deepak Khosla

COMPANY AFFAIRS

Union Carbide's Expansion Plans

UNION CARBIDE India is offering to the public 500,000 secured non-convertible debentures of Rs 100 at par. The subscription list for the public issue will open on October 19. The proceeds of the issue will be utilised to augment the working capital requirements of the company.

The debentures will carry an interest of 13.5 per cent per annum and an additional interest of one per cent if the company's equity dividend for the preceding year exceeds 11 per cent. Since the company has paid a minimum dividend of 14 per cent for the past few years and it is unlikely to reduce its equity dividend in the coming years, the interest on the debentures will be 14.5 per cent per annum. Other terms of the company's debentures are also more favourable than those offered by several companies offering non-convertible debentures.

The company's debentures are fully redeemable at the end of seven years against normal redemption period of 10 to 12 years. Further, the buy-back arrangement after three years for the company's debentures is higher upto Rs 50,000 per year per debenture-holder at par against the maximum of Rs 25,000 per debenture-holder offered by some of the companies. Again, the maximum amount for buy-back is higher at Rs 50 lakh against a limit of [illegible] lakh in several other [illegible]es.

[illegible] company's debentures [illegible] declared as public [illegible] by the Maharashtra [illegible] to enable the trusts in Maharashtra to invest without any prior approval from the Charity Commissioner.

Out of the company's issue of Rs 5 crore underwriting to the tune of Rs 3 crores (60 per cent) is by the financial institutions. Of the balance of Rs 2 crore, underwriting by banks amounts to Rs 1.05 crore, while the balance of Rs 95 lakh has been underwritten by a number of share brokers.

New Projects

Union Carbide has plans to further expand and diversify its activities. The company, which is a pioneer in the manufacture of dry cells has received a letter of intent for setting up a new unit with a capacity of 120 million dry batteries. It has also obtained letters of intent for 115,000 tonnes of calcium carbide and 1,800 tonnes of acetylene black. These projects will be located in the State of Jammu and Kashmir. According to Dr W.R. Correa, Managing Director, the company's investments in Jammu and Kashmir projects will be around Rs 20 crores.

The company has also received a letter of intent for the manufacture of 200 tonnes of methabenzthiazuron and 50 tonnes of propoxur per annum. These two new pesticides will extend the company's range of pesticides and can be manufactured at the Bhopal complex. It has received an industrial licence for processing 5,500 tonnes of marine products at Visakhapatnam.

The company is also setting up a joint venture in Nepal for the manufacture of dry cell batteries. This will be the first unit in Nepal to produce batteries. The company has submitted a proposal to the Government for utilisation of off-shore gas. This proposal, if approved by the Government, will lead to a substantial increase in the company's production of ethylene from 22,000 tonnes to 60,000 tonnes a year.

IBP, Balmer Lawrie Move Ahead

The Indo-Burma Petroleum Co Ltd, and its subsidiary, Balmer Lawrie & Co Ltd, both Government companies under the Ministry of Petroleum, Chemicals & Fertilizers have shown impressive performances during the year 1980-81. The combined turnover of both companies increased from Rs 245.7 crores in 1979-80 to Rs 324.6 crores in 1980-81 with a corresponding increase of profits before tax from Rs 3.7 crores to Rs 5.2 crores representing an increase of approximately 41 per cent. IBP raised its ordinary share dividend to 18 per cent from 16 per cent declared last year, whilst Balmer Lawrie retained the previous year's dividend of 16 per cent. The Board of Directors of IBP have also recommended the issue of bonus shares at the rate of one for two, subject to the approval of the members and the Controller of Capital Issues, Government of India. Both companies expanded their activities substantially during the course of the year.

The Oil Division carrying on the traditional activity of marketing petroleum products sustained its growth rate and was a major contributor to the company's profits.

The Chemical's Division set up the site-mixed slurry explosives plant at Kudremukh, the first bulk explosive system in the country and thereby became the only company to offer explosives in both cartridge and bulk forms. The division which had commenced operations with a 5000 tonnes per annum plant manufacturing slurry explosives at Korba in 1978, has already doubled its capacity and is now in the process of redoubling it to 20,000 tonnes per annum.

The Engineering Division of the company inaugurated its new cryocontainers plant at Nasik during the year. Set up in collaboration with L'Air Liquide' of France it has a capacity of producing 5000 cryocontainers per annum. Manufactured in the country for the first time these containers find their major application in artificial insemination programmes for cattle cross breeding carried out to improve the quality and yield of milk.

Balmer Lawrie

Balmer Lawrie also expanded its activities by commissioning the marine freight containers plant at Aroor, a backward area near Cochin. The plant has a capacity of manufacturing 5000 containers per year and has been set up in collaboration with York Trailer Co Ltd, UK. As the entire production is likely to be sold to foreign leasing companies, the company is expected to earn about Rs 9 crores by way of foreign exchange in the first two years.

The company is also expanding its barrel manufacturing activity by setting up a bitumen barrel plant at Mathura and by taking over for operation a barrel plant located at Cochin.

The plant set up in Dubai for the manufacture of steel barrels and cans operated well during the year thereby producing excellent results. The unit also expanded its activities by entering into an agreement with the Bahrain Petroleum Co (BSC) to provide technical and managerial services and has successfully managed and manned the third shift of their bitumen barrel plant at Bahrain.

The company has entered into an agreement with the Central Leather Research Institute, Madras, for developing formulations and knowhow for the manufacture of synthetic fat liquors required in the leather processing industry. A pilot plant for this purpose is being set up near Madras. It is the intention of the company to set up commercial plants in due course of time in Tamil Nadu and later in West Bengal.

Impressive Performance by Diamond Dies

Diamond Dies Manufacturing Corporation Ltd exceeded the one crore rupee mark in turnover during the year ending March 1981. According to its Chairman, Mr A.P. Mehta, in the last five years, the company has emerged as the largest producer of diamond dies in the country

During the year, the turnover of the company went up from Rs 81 lakhs to Rs 1.10 crore and the profit rose from Rs 10.7 lakh to Rs 12 lakh, Mr Mehta told the shareholders in Bangalore recently. This impressive performance has been achieved despite high rates of interest and continued depression in some of the company's customer industry.

He added that the company had ploughed back its earnings to meet the capital needed to put through the expansion programme. The company has issued bonus shares in the ratio of one share for every two shares and is also proposing to increase further the capital base of the company by issue of right shares in the ratio of one share for every two shares held.

The company's turnover has increased by about 30 per cent over the previous year. The company has fared well on the export front too. Mr Mehta hopes to better the working results during the current year.

Shriram Fibres Ltd

Shriram Fibres Limited, whose accounting year covering a period of 15 months ended on June 30, 1981, has achieved impressive results in 1980-81 despite the lock-out and consequent dislocation of operations during the first five months of the year. The company's sales increased to Rs 2920 lakhs from Rs 2539 lakhs last year and the net profit achieved (after depreciation was Rs 504 lakhs as against Rs 378 lakhs last year. After making provision for income tax (Rs 85 lakhs), transfer to development rebate reserve (Rs 75 lakhs) and transfer to investment allowance reserve (Rs 75 lakhs), the Directors have recommended a dividend of 9.5 per cent on preference shares per annum absorbing Rs 4.75 lakhs and a final dividend of 12.5 per cent on equity shares which with the 10 per cent interim dividend declared a few months ago, makes up a total dividend of 22.5 per cent for the year. Of the balance left, a sum of Rs 175 lakhs has been transferred to general reserve. The outlook for the current year is rated to be quite bright.

With the stabilisation of nylon tyre cord operations, the company is engaged in exploring possibilities of diversifying into new fields of activities.

Robtas Industries

Rohtas Industries has announced improved results for the year ended March 31, 1981. The total income has risen smartly from Rs 72.68 crore to Rs 93.54 crore and the improvement in sales has been shared by all the major divisions. The sales of vanaspati, for instance, have risen from Rs 30.75 crore to Rs 38.57 crore and those of paper and boards from Rs 28.87 crore to Rs 35.18 crore. The sales of cement and asbestos cement products have gone up from Rs 10.92 crore to Rs 13.68 crore.

The company has reported a surplus of Rs 1.15 crore without providing for depreciation compared with a loss of Rs 19.03 lakh in the preceding year. After adjusting the surplus against the brought in debit balance of Rs 3.70 crore, a deficit of Rs 2.55 crore is carried forward. Arrears of depreciation are placed at Rs 4.46 crore and the pre-

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ference dividend arrears come to Rs 78.02 lakh.

Bayer India

Bayer (India) has suffered a sharp set-back during the first half of 1981 following interruptions in production for about three months because of labour problems. Although the company has resumed operations from the end of July, the outlook for the current year is bleak because of the continued increase in the prices without any corresponding rise in selling prices.

The company's sales during January-June 1981 have amounted to Rs. 18.59 crore against Rs 24.28 crore in the corresponding period of last year, a fall of 23 per cent. Its pre-tax profit for the first half of this year is placed at Rs 19 lakh only against Rs 1.51 crore for the first half of 1980. For the whole of 1980, the company worked a pre-tax profit of Rs 2.11 crore on sales of Rs 53.32 crore.

The company's gross profit for the first half of 1981, amounts to Rs 58 lakh against Rs 1.73 crore for the first half of 1980. After providing Rs 73 lakh (Rs 52 lakh) for depreciation, Rs 5 lakh (Rs 6 lakh) for investment allowance reserve and taking a credit for Rs 39 lakh (Rs 36 lakh) being other income, the pre-tax profit amounts to Rs 19 lakh against Rs 1.51 crore.

The management states that the company is gradually regaining its market position. However, the medium term outlook is not encouraging because of the continued increase in the prices of petroleum products, power and other raw materials. The wage bill also increased following the recent hike in the cost of living index.

Tata Power Company

The work on the 500 megawatt project of Tata Power Company Ltd at Trombay is progressing satisfactorily as per the schedule, according to Mr Naval H. Tata, Chairman. Mr Tata told the shareholders of the company at the annual meeting that the project would be ready for commissioning by 1982-83.

He said that the company's issue of new shares amounting to Rs 17.5 crore was oversubscribed. Of these 25 per cent shares were reserved for existing shareholders and another 25 per cent for non-resident Indians.

Mr Tata said that for augmenting the generating capacity an additional capacity of 150 megawatt is being installed at Bhira. A second project with a capacity of 500 MW. at Trombay is also being planned.

Mukand Iron

Mr Viren J. Shah, Chairman, Mukand Iron and Steel Works, states in his annual statement that the Government's decision to permit mini-steel plants in the private sector, to set up sponge iron unit is a pragmatic modification in the policy. The decision, taken in the specific context of the shortages of scrap faced by the electric arc furnace units, should be made applicable, irrespective of the technology employed, to the proposed mini mills as well.

The Government's decision to allow expansion of production by 100 per cent and 150 per cent in those mini-steel plants which have reached capacity utilisations of 80 per cent or 110 per cent, respectively, will provide the necessary impetus for the mini-steel industry to grow fast.

New Ambadi Estates

New Ambadi Estates Private Limited (TI group) has been permitted by the Controller of Capital Issues to acquire 748,960 equity shares (face valve Rs 10 per share) of EID-Parry India from Commonwealth Develompent Finance Corporation and Pearl Assurance Company, both of UK.

The CCI's permission stipulates that the shares must be acquired at a price "below the ruling market" rate. The quotation for EID-Parry India's ordinary shares has moved up from Rs 13.25 to Rs 14.80 during the past one month, presumably in the wake of fresh purchases of shares from the market by TI group.

EID-Parry India's equity consists of preference capital of Rs 40 lakh and ordinary capital of Rs 628.12 lakhs.

Of the 62.81,169 ordinary shares of EID-Party India, New Ambadi will acquire 11.9 per cent from non-resident holders. An estimated 38 per cent of EID-Parry India's equity is believed to be held by the financial institutions.

New Ambadi belongs to the TI group of Madras and is headed by Mr M.V. Arunachalam who was elected Chairman of EID-Parry India last June with the support of the financial institutions.

This followed Dr Easo John's announcement of his resignation as Chairman and Managing Director of the company in the wake of a tussle between him and the Board of Directors of the company.

Tractors India Maintains

The Directors of Tractors India Ltd, propose to maintain the dividend of 20 per cent for 1980-81. The turnover has gone up from Rs 18.53 crore to Rs 22.51 crore and the gross profit from Rs 2.47 crore to Rs 2.78 crore. After providing Rs 16.17 lakh for depreciation (Rs 12.17 lakh), and Rs 1.62 crore for taxation (Rs 1.58 crore), the net profit comes to Rs 99.48 lakh (Rs 77.64 lakh).

Capital and Bonus Issues

Twelve companies have been allowed to raise their capital. Details are given below:

Bonus Issues

HMM Limited: Issue Rs 1,71,89,630 in fully paid equity shares of Rs 10 each in the ratio of 1:2.

The Roadmaster Industries of India Pvt Ltd: Rs 866,700 in fully paid equity shares of Rs 100 each in the ratio of 1:1.

Roussel Pharmaceutical (India) Ltd: Rs 39,24,000 in fully paid equity shares of Rs 100 each in the ratio of 1:1.

PMT Machine Tool Automatics Pvt Limited: Rs 25,00,000 in fully paid equity shares of Rs 100 each in the ratio 1:1.

Maheshwari Mills Limited: Rs 12,00,000 in fully paid equity shares of Rs 12.50 each in the ratio of 1:1.

Maharashtra Distilleries Limited: Rs 45,34,000 in fully paid equity shares of Rs 1,000 each in the ratio of 1:1.

Further Issues

J.K. Satoh Agriculture Machines Limited: Issue of rights equity shares of Rs 19,49,660 for cash at par. The proceeds to be utilised to meet the working capital needs of the company.

Tamil Nadu Industrial Development Corporation Ltd: Issue to the public of guaranteed debentures of the notified amount of Rs 75 lakh, with a right to retain additional subscription to the extent of 10 per cent of the notified amount.

Voltas International Limited: Issue of equity shares of Rs 40 lakh, as rights, for cash at par to the holding company, Voltas Ltd. The proceeds to be utilised to meet increased working capital requirements of the company.

Secals Limited: Issue of equity shares of Rs 25 lakh for cash at par. The proceeds to be utilised to meet a part, of substantial expansion cost.

Karnataka Power Corporation Ltd: Issue of 10,000 rural debentures of Rs 1,000 each for cash at par.

Rohtas Industries Limited: Granted extension of the period of redemption of its existing 8,000— 8 per cent (taxable) secured debentures of Rs 1,000 each, from the existing of upto August 30, 1981 to a date not later than 30.9.91, and also to the increase in the rate of interest thereon from 8 per cent (taxable) per annum, from October 1, 1981.

Rejection: Machine Products (India) (P) Limited: **Refused** permission for issue of bonus shares of Rs 3.02 lakh.

Maini Shipping Pvt Ltd: Refused permission for issue of bonus shares of Rs 20.10 lakh.

B. N. Elias and Co Ltd: **Refused permission for issue of bonus shares of Rs 20 lakh.**

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Printed and published by R.P. Agarwala on behalf of the Eastern Economist Ltd., United Commercial Bank Building, [illegible] New Delhi, at the New India Press, K-Block, Connaught Circus, New Delhi.

Registered at the GPO, London
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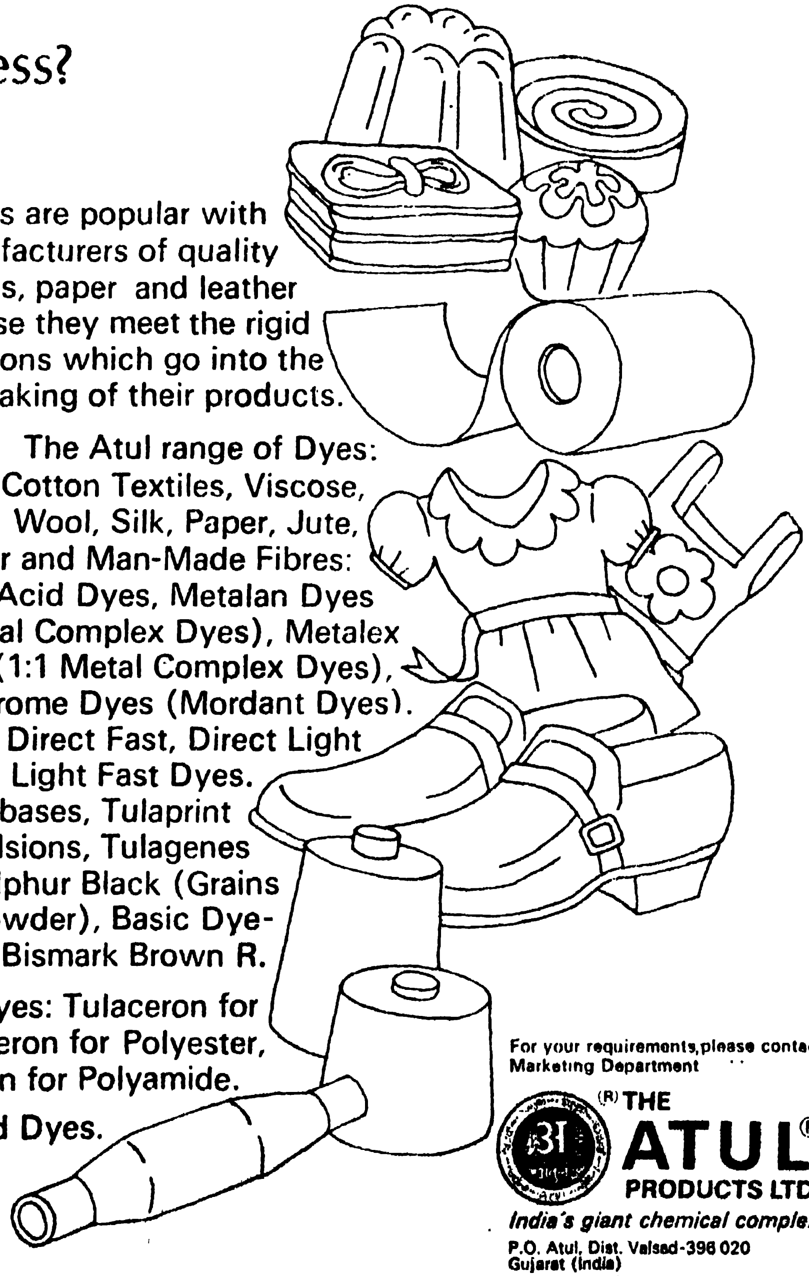

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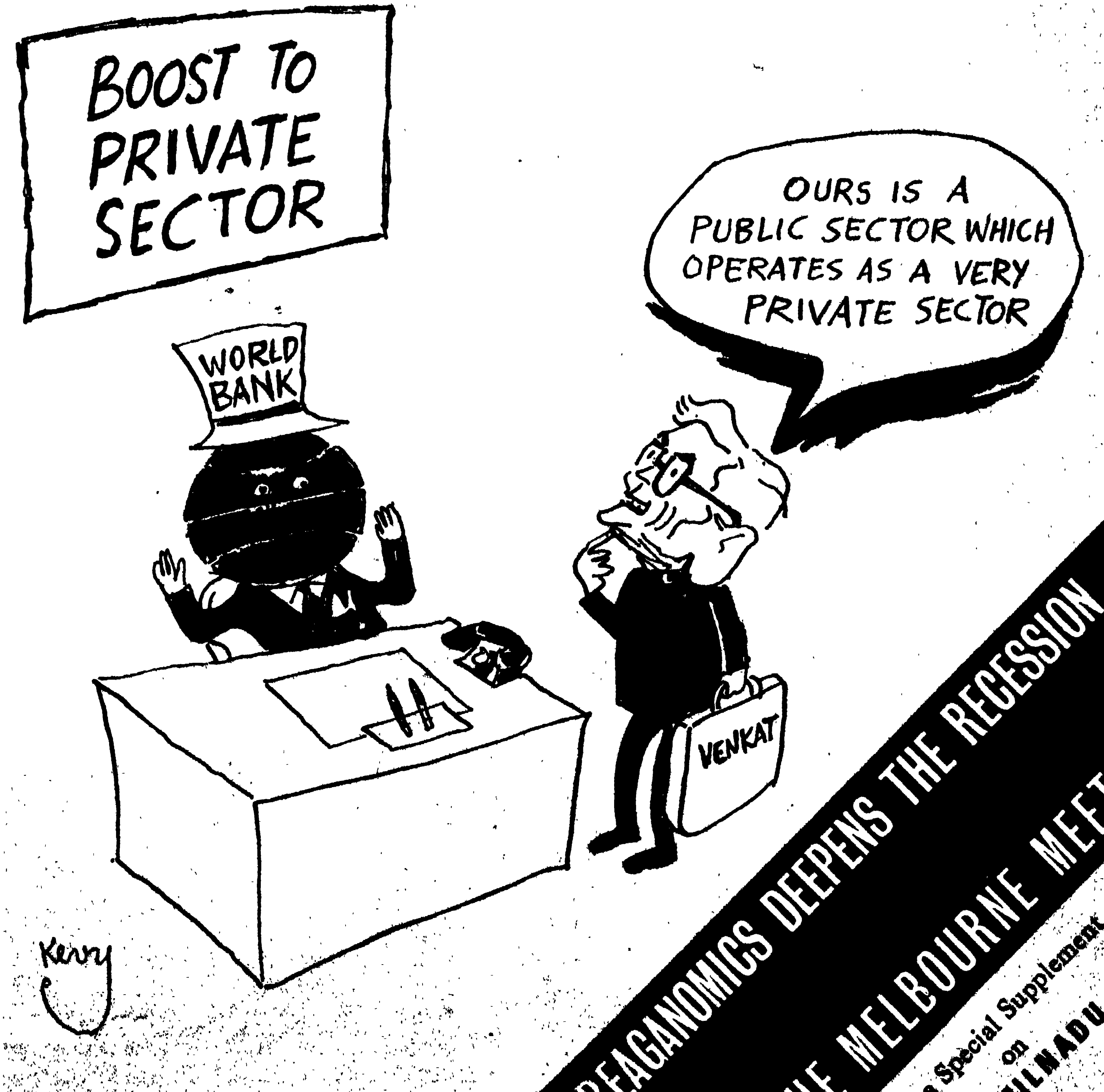
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This Week

September 30

The gold price for export of gold jewellery against gold supplied by foreign buyers has been increased to Rs 1,395 per 10 gms (US $ 463.50 per troy ounce) for October, according to Handicrafts and Handlooms Export Corporation of India Limited.

The US dollar has become costlier by 10 paise following the revision of the exchange rates. The new buying and selling rates are Rs 8.90 and 9.30 per dollar respectively.

The US is to extend $ 4.5 million (Rs 4 crores) as aid to India as part of its development assistance during fiscal year 1981.

The Minerals and Metals Trading Corporation has raised the selling price of tin from Rs 1,95,000 a tonne to Rs 2,15,000 a tonne.

October 1

Two members of the outlawed People's Liberation Army (PLA) including the top leader Chongtham Bada Singh were shot dead by unidentified gunmen at Naoremthong Bamon Yalma Leirak near Imphal.

The pound sterling has become costlier by 15 paise. The RBI has fixed a middle rate of Rs 16.55 per £ against the earlier rate of Rs 16.40.

Mexico has said that its heavy crude be processed in Indian refineries after some modifications.

The Centre has rejected the Agricultural Prices Commission's (APC) recommendation of raising sugarcane price by Rs 2.50 to Rs 15.50 per quintal.

October 2

The Union Government has decided to extend till December 31 the subsidy scheme for coal movement by road.

Justice M. H. Beg, Chairman of the Minorities Commission, has said that the Commission will have to reconsider its stand regarding carrying of kirpans by Sikhs in planes in view of the recent misuse of this permission by the hijackers of the Indian Airlines Boeing.

October 3

Spot orders worth Rs 3.3 crores have been bagged by Indian firms at the India industrial exposition organised by the Trade Development Authority in Toronto, Canada.

Ali Khomeini, fundamentalist disciple of Ayatollah Khomeini, trounced his token opposition in Iran's presidential elections to become the Islamic Republic's first clergyman head of State.

In a major Cabinet reshuffle, Uttar Pradesh Chief Minister Vishwanath Pratap Singh designated Swaroop Kumari Bakshi as the new Home Minister and allocated Education, Cultural Affairs and Sports to Naunihal Singh.

October 4

Five Sikh extremists, arrested after Pakistani commandos stormed a hijacked Indian jetliner, to appear before a Lahore magistrate on October 11.

A business delegation sponsored by the Federation of Indian Export Organisations left Delhi on a two-week visit to Scandinavian countries to boost exports.

Poland's independent labour union Solidarity has said it does not refuse to accept new Government laws on worker self-management but wanted a referendum on points it opposed.

October 5

The pound sterling become costlier by 15 paise. The RBI fixed a middle rate of Rs 16.70 against the earlier rate of Rs 16.55.

The Commonwealth leaders endorsed the Indian Prime Minister, Mrs Indira Gandhi's plea that international financial institutions like the World Bank and the International Monetary Fund should not mix up ideological considerations with the question of assistance.

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The Melbourne Meet

THE COMMONWEALTH summit which concluded last week in Melbourne is unlikely to achieve anything dramatic. Such summits seldom do. Indeed, given the diverse opinions represented it would be miraculous if they did. But miracles apart, this is the first time that a statement has been issued by the Commonwealth on the question of North-South relations. The Melbourne declaration thus becomes doubly significant because it comes on the eve of Cancun summit in Mexico, scheduled to start later this month.

There is another important feature. The Commonwealth Heads of Government are considering a comprehensive world food security programme. Special attention is being given to this because of the declining trend in food self-sufficiency and the consequent need for increasing food imports. Coming on top of the oil crisis this has compounded the balance of payment problems of deficit countries. In order to improve the food security in the short term it was felt that the potential donors should commit increased food aid to the world food conference target of 10 million tonnes a year and that efforts should be made to achieve the agreed 1981-82 target of one billion dollars for the world food programme.

Resolutions and platitudes can warm hearts but cannot fill bellies. It is therefore useful to look at (yet again) the North-South issue. An international economic order has been the subject of debate for a long time now : witness the writings of Gunner Myrdal, Raul Prebisch, Rosenstein-Rodan and Singer. The common thread in all their arguments is a clear realisation that the market system has several limitations in promoting equitable growth all around the world. So there was Mr Prebisch who talked of the deteriorating terms of trade, Mr Rosenstein-Rodan who argued in terms of indivisibilities and increasing returns to scale, Mr Singer who talked of the uneven distribution of gains between the borrowers and lenders and Mr Myrdal who talked of the polarising effect of growth in the market dominated economic system. And there have been others too whose writings have had a bearing on North-South relationships. In other words, the debate is not recent nor is it a creation of Mr Willy Brandt.

Why then the revival which is all the more remarkable for its intensity. Because of (a) the end of the commodity boom in the mid-Seventies; (b) the feeling of helplessness of developing countries in determining their own destinies; and (c) OPEC.

These are the realities which platitudes and resolutions cannot hide. What is required is a sound framework on which to base the North-South argument. This could be found in three factors. First, the existence of surplus productive capacity in the North; second, the existence of a vast mass of under-employed or unemployed labour in large parts of the South; and third, accumulation of financial assets in the hands of the OPEC (which for some odd reason continues to be regarded as part of the South). The idea which is crucial to the argument seems to be that if the States with financial surpluses would lend more generously and on easy terms to the States with deficits, it would enable the South to import more from the North which could then expand its production at relatively stable prices.

For the short-run, this is adequate. In the long-run, politics must inevitably come into the picture. And so must a bit of economics too. Where the latter is concerned, the three factors listed above could prove inadequate for two reasons. First, recycling of petrodollars through higher export prices in the North and investment by OPEC there. Second, postponement of structural reforms in the South which would come in the way of the creation of additional capacities.

The answer thus lies in increasing the productivity in the South. Just how this is to be done is a matter for the Governments of the South to resolve. But resolve it quickly they must, for otherwise no good will come to them. In the final analysis, dialogues can take the South just so far and no further. Today, the countries of the South can push through any resolution they want to because of their overwhelming numerical strength. Equally, the North can render specific measures infructuous in practice (e.g. the MFA) because of its overwhelming economic strength. The South must choose between the two and it is not hard to see where the choice must fall.

Dispersal of Industrial Location

THE RECENT conference of State Industry Ministers convened by Mr Narain Dutt Tiwari, Union Minister for Industry, brought into focus the issue of industrial dispersal as recommended by the Sivaraman Committee report on backward areas. The conference which was attended by three Chief Ministers and 20 State Ministers discussed at length the modalities for implementing this recommendation. Although there was a general consensus among the Ministers gathered in New Delhi that the industrial dispersal should form an integral part of the industrial development in the country, yet it was felt that there were road-blocks in the way of the successful execution of this policy unless the State administrations came forward with positive measures to accelerate the establishment of industries in such areas.

The licensing policy as an instrument of dispersal of industries has its limitations as it calls for a genuine process of sustained support and follow-up action by the various agencies. The Union Minister for Industry rightly pointed out that agencies such as State Industrial Development Corporations and State Finance Carporations ought to monitor the utilisation of letters of intent and licences, watch over the milestones in the implementation of the projects and facilitate quick decision-making. It may be added that a few States have done commendabe work in this direction and it was essential for all the rest of the States to look at the administrative arrangements made by these States more closely so that an overall environment facilitating the industrialisation of backward regions was created.

Mr Tiwari reminded the meeting that the State Governments and the State corporations did not themselves apply for licences in many backward areas but preferred the best available locations. He added that the State Governments were more location-specific while recommending private sector applications for licensing industries in backward areas. The non-location specific letters of intent or licences tended to gravitate towards backward areas which were close to metropolitan and well-established industrial areas.

A recent report of the committee on public undertakings had highlighted the role of the financial institutions in the development of industries in the backward areas. At current levels of increasing costs and prices of equipment, the slow execution of projects amounted to an expensive national loss which should be avoided. The State Industry Ministers should do their best to simplify the procedures for assistance from various institutions and ensure the inputs such as power supply and see to it that industrial approvals given are translated into projects in backward areas with reasonable expedition.

There was a general consensus among the Ministers that the Sixth Plan target of eight per cent industrial growth could be attained only if the dispersal of industries was accelerated. On the other hand the Sivaraman Committee had come to the conclusion that the schemes to develop backward areas had induced the investors to come to those areas with uneven results. Obviously the availability of infrastructure had a significant role to play in the speedy materialisation of industrial projects. Only those backward areas which are reasonably close to the existing well developed centres with infrastructure could provide speedy industrialisation.

Mr Shiv Charan Mathur, Rajasthan Chief Minister, made a valid point when he stated that though in principle Rajasthan totally agreed with the criteria adopted for development of backward areas on the basis of cut-off distances, yet he felt that the reference point of existing centres should be limited to towns within the State. Elucidating his point he added that the concept of automatic development in areas in the proximity of industrial towns was unfounded as they too would need a whole battery of concessions and facilities in order to develop fast. Their claim to have "support of concessions and incentives could not be ignored or else we will create new areas of backwardness". The fact that some of the areas were close to existing developed centres such as Ahmedabad, Delhi, Agra or Gwalior did not lead to automatic development on account of spillover or spread effect.

It also emerged at the meeting that with a few exceptions the industrial estates programme taken up a few years earlier did not achieve its objective of relocating industries from developed areas. In the light of this performance the committee's recommendation of a policy of deliberate dispersal of industries away from existing developed centres had limited application. For this purpose the committee suggested the criterion of varying distances from developed urban centres depending upon the number of persons engaged in non-household manufacturing employment beyond which both Central subsidy and concessional finance should be equally applicable.

It is necessary to concentrate the promotional efforts by the Central and State agencies in certain identified growth centres already having some available infrastructure. Such concentrated promotional efforts to identify growth centres could be the quickest way to generate growth in at least selected points within the backward areas. In fact the committee had suggested the setting up of industrial development authorities in the identified growth centres with sufficient administrative and financial powers to develop infrastructure and plan the growth of industry.

The conference also revealed that sufficient attention had not been given to industrial training in backward areas. The working of industrial training institutes and the standard of training as well as teaching facilities in such centres required to be substantiated, specially in backward districts. It is also essential that more industrial training institutes in the identified backward areas are opened so that local unskilled persons can be trained and made available for industrial development and also for setting up of self-employment enterprises.

Economic Analysis

Incidence of Indirect Taxes—II

S.K. Mondal & Pankaj Kumar Ghosh

THE ARGUMENT that burden of indirect taxes by expenditure classes is better measurable with respect to non-food expenditure than with respect to total expenditure as conventionally done,[1] is further analysed in this study.

Since the whole concept of progressive taxation is based upon the implicit assumption of law of diminishing marginal utility of income/expenditure, non-food expenditure gives a better expression in this respect.

After a certain income level, expenditure on non-food items increases at a rate higher than the rate of increase in total expenditure, in other words expenditure elasticity for non-food items is more at higher levels of income. This is evident by the Engel's law.[1]

This implies a higher rate of diminishing marginal utility of money with respect to non-food expenditure than with respect to total expenditure. A higher rate of fall in marginal utility reveals a higher ability and suggests a higher tax rate.

This analysis is based on the 'Incidence of Indirect Taxes in India, 1973-75', by R.J. Chelliah. Chelliah studied the incidence of indirect taxes for seven broadly divided monthly per capita expenditure classes in terms of ratio of taxes to total expenditure for each class. The aggregate value of consumer expenditure in Chelliah's study were blown up to match the CSO estimates. For the purpose of this study, the percentage expenditure on different items of consumption by classes available from the NSS consumer expenditure tables for the year 1973-74 have been applied to the aggregate value of consumer expenditure for different groups in Chelliah's study. However, the NSS percentages have been applied after clubbing the NSS expenditure under seven groups like Chelliah's grouping of classes.[1]

It can be observed (Tabla I), that in rural India elasticity of non-food expenditure to total expenditure of the second lowest class is only 0.94 and in urban India the same is as low as 0.58.

The elasticity of tax to both total expenditure and non-food expenditure is as high as 1.31 and 1.39 in rural India and 2.50 and 4.32 in urban India respectively. Contrary to this, in case of the highest expenditure class, the elasticity on non-food expenditure to total expenditure is as high as 2.12 in rural India and 1.93 in urban India; the elasticity of tax to non-food is only 1.20 in rural India and 1.69 in urban India. It reveals that tax rates are more elastic at lower expenditure levels not only with respect to total expenditure but also with respect to non-food expenditure both in rural and urban India.

It may be interesting to observe that the elasticity of taxes with respect to total expenditure in rural India shows a rising trend upto the expenditure class with Rs 43-55 in rural India but again it falls at the next higher expenditure level—Rs 55-75. At the next higher level at Rs 75-100 it again rises, but it is less than the rate of increase in expenditure at Rs 43-55 level. At the highest level the rate again falls. The same is more true in case

TABLE I

Elasticity of Tax with Respect to Total Consumer Expenditure, Non-Food Expenditure and Elasticity of Non-Food Expenditrue with Respect to Total Consumer Expenditure by Monthly Per Capita Expenditure Class (1973-74)

	Rural India			Urban India		
Monthly per capita expenditure	∝ of tax to total expenditure	∝ of tax to non-food expenditure	∝ of non-food expenditure to total expenditure	∝ of tax to total expenditure	∝ of tax to non-food expenditure	∝ of non-food expenditure to total expenditure
0—15						
15—28	1 31	1.39	0.94	2 50	4.32	0.58
28—43	1.96	1.79	1.10	1.49	1.24	1.21
43—55	2.46	1.85	1.49	2.20	1.39	1.58
55—75	1.37	0.73	1.87	1.96	1.30	1.51
75—100	2.94	1.59	1.85	1.98	1.20	1.65
100 and above	2.54	1.20	2.12	3.26	1.69	1.93

∝ = Elasticity

of urban India. Therefore it further reveals that changes in tax rates at different expenditure levels are not confined to any uniform pattern or trend both in rural and urban India. This leads us to believe that the very structure of indirect taxes is not ideally framed with respect to lower rate of relative incidence on the poor and having a relatively progressive trend along with rise in expenditure.

The degree of progression of the tax scale obtained from the overall elasticities of taxes with respect to total consumer expenditure and non-food expenditure estimated by double log regression shows that tax with respect to non food expenditure in rural India is 1.25 and 1.40 in urban India, but the elasticity of non-food expenditure to total expenditure is 1.30 in rural India and 1.26 in urban India (Table II). The major share of non-food expenditure of the class above the poverty line[2] is taken away by the expenditure on miscellaneous items which includes items like durable goods, etc., whose share is 9.45 per cent to 24.27 per cent in rural India and 13.96 per cent to 26.21 per cent in urban India, whereas the share of the same for the households below the poverty line is 6.96 per cent to 8.13 per cent in rural India and 15.92 per cent to 12.23 per cent in urban India (Table III).

This highlights the fact that as the share of non-food expenditure to total expenditure of the rich is more, the burden of tax on them is less. The share of the non-food expenditure to total expenditure of the highest group being as high as 41.53 per cent in rural India and 44.07 per cent in urban India (Table III).

Again the elasticity of tax to food expenditure to total expenditure is 0.87 in rural India and 0.86 in urban India but the elasticity of tax to food expenditure is as high as 1.94 in rural India and 1.99 in urban India (Table III). It implies that the rate of change in tax with respect to food is more elastic and since poor spend a major part of their expenditure on food the incidence is more on them. It could be observed that the poor in rural India with a monthly per capita total expenditure of Rs 43 or less spend about 64.29 per cent to 59.53 per cent of the total expenditure on foodgrains and the poor in urban India with monthly per capita total consumer expenditure of Rs 55 or less spend 36.79 per cent to 47.93 per cent on foodgrains (Table III).

References

1. Mondal, S K. and Ghosh, Pankaj Kumar : *Eastern Economist*, New Delhi; Economic Analysis—Incidence of Indirect Taxes, September 18, 1981.

2. The 'poor' in rural India have been defined as those with monthly per capita consumer expenditure of Rs 43 or less at 1973-74 prices.

The 'poor' in urban India have been defined as those with monthly per capita consumer expenditure of Rs 55 or less at 1973-74 prices.

Source : Indian Institute of Public Opinion, New Delhi, *Monthly Commentary*, "Some Paradoxes of Indian Poverty", Vol. XXII, No. 1, August, 1980 Pp. 55, 56.

TABLE II

Elasticity of Tax with Respect to Total Consumer Expenditure, Food Expenditure, Non-Food Expenditure and Elasticity of Food and Non-Food Expenditure with Respect to Total Consumer Expenditure—All Classes (1973-74)

	Rural India					Urban India				
	Tax (f) total expenditure	Tax (f) food expenditure	Tax (f) non-food expenditure	Food (f) total expenditure	Non-food (+) total expenditure	Tax (f) total expenditure	Tax (f) food expenditure	Tax (f) non-food expenture	Food (f) total expenditure	Non-food (+) total expenditure
	1	2	3	4	5	6	7	8	9	10
Elasticity	1.72	1.94	1.25	0.87	1.30	1.79	1.99	1.40	0.86	1.26
R^2	0.93	0.99	0.99	0.97	0.95	0.99	0 99	0.97	0.98	0.97

$$Y = a + bx = \text{Log } Y = a + \text{Log } X$$

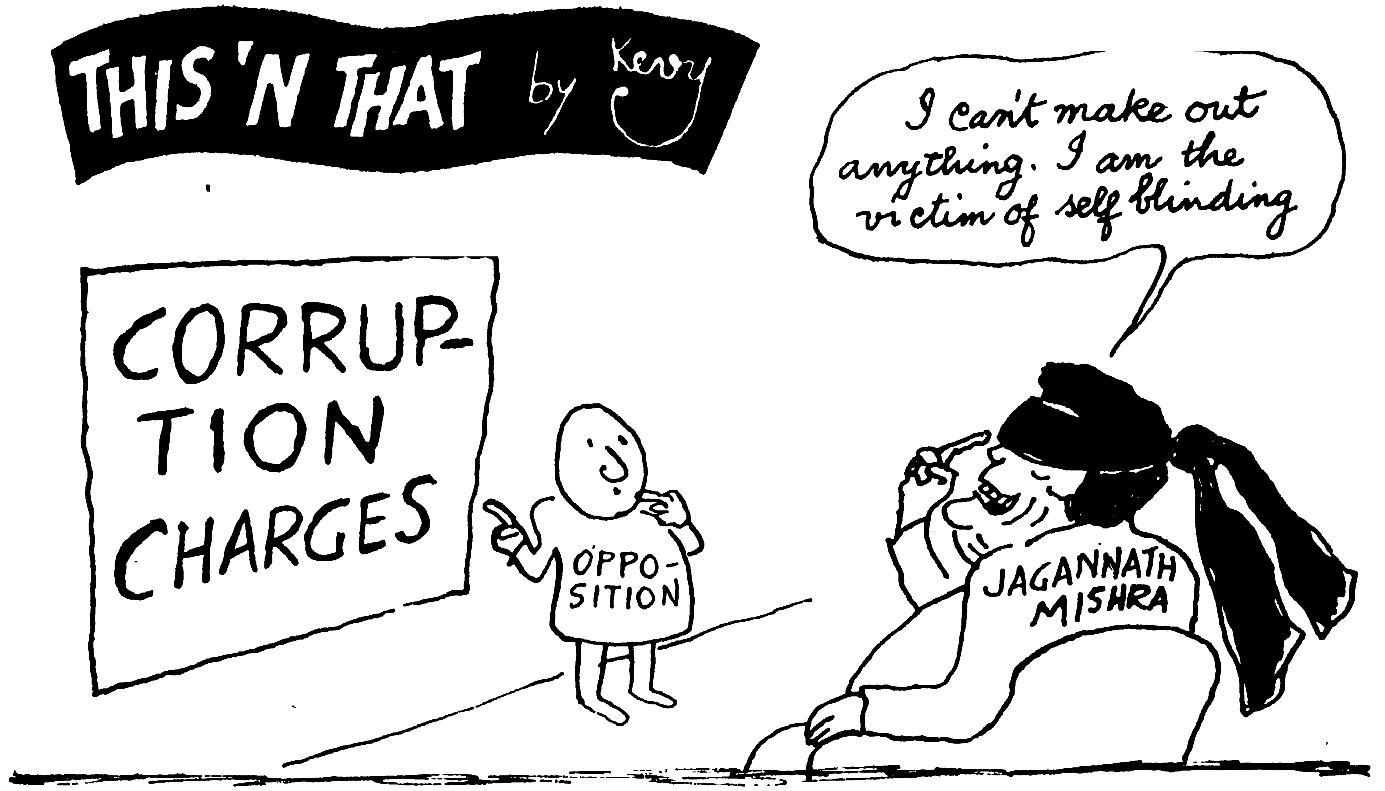
Where in item No. 1 — tax = Y, total expenditure = X
„ „ „ 2 — tax = Y, food expenditure = X
„ „ „ 3 — tax = Y, Non-food = X
„ „ „ 4 — Food expenditure = Y, total expenditure = X
„ „ „ 5 — Expenditure on non-food = Y, total expenditure = X.

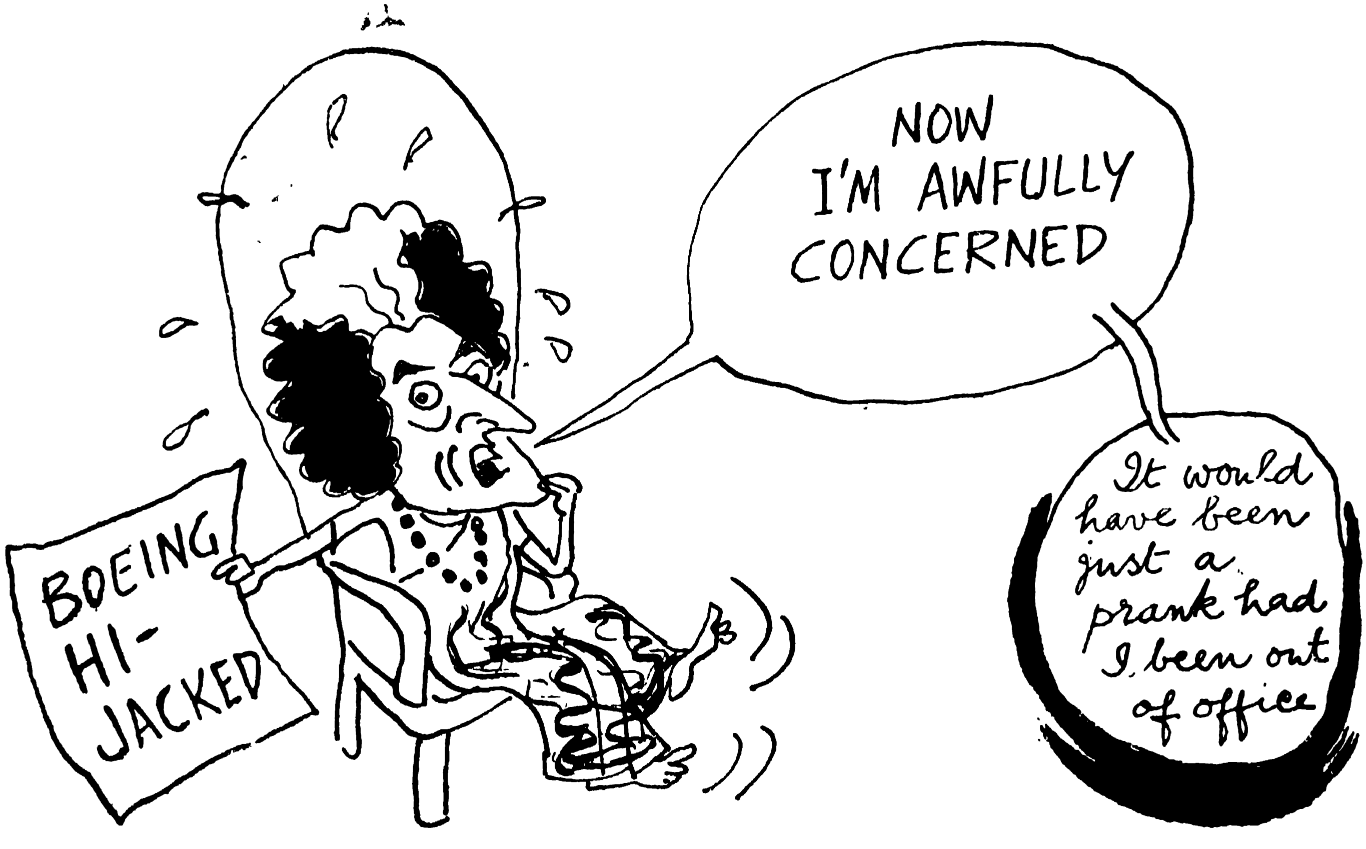
TABLE III

Consumer Expenditure and Indirect Tax Per Capita Per Annum in Rupees by Monthly Per Capita Expenditure Class

Monthly per capita expenditure group	Food				Non-food					Total expenditure	Total tax
	Food grains	Milk & milk products	Other food items	Total food	Clothing	Fuel & light	Rent	Misc. items	Total non-food		
						RURAL INDIA					
0 — 15	105.86	0.94	29.44	136.27	1.05	15.87	--	11.46	28.39	164.66	4.79
	(64.29)	(0.57)	(17.88)	(82.76)	(0.64)	(9.64)	(0.00)	(6.96)	(17.24)	(100.00)	(2.91)
15 — 28	200.38	5.54	83.26	259.11	5.41	23.84	0.12	22.72	52.09	311.20	10.37
	(64.23)	(1.78)	(17.09)	(83.26)	(1.74)	(7.66)	(0.04)	(7.30)	(16.74)	(100.00)	(3.33)
28 — 43	284.88	19.48	91.40	395.76	12.35	31.35	—	39.10	82.79	478.55	21.55
	(59.53)	(4.07)	(19.10)	(82.70)	(2.58)	(6.55)	(0.00)	(8.17)	(17.80)	(100.00)	(4.45)
43 — 55	354.45	41.66	128.97	525.15	26.90	38.85	0.39	61.71	127.86	653.01	40.34
	(54.28)	(6.38)	(19.75)	(80.42)	(4.12)	(5.95)	(0.06)	(9.45)	(19.58)	(100.00)	(6.18)
55 — 75	412.33	70.20	170.85	653.29	58.83	46.52	1.11	95.26	201.72	855.11	57.39
	(48.22)	(8.21)	(19.88)	(76.41)	(6.88)	(5.44)	(0.13)	(11.14)	(23.59)	(100.00)	(6.71)
75 — 100	483 69	110.06	223.79	817.54	107.77	55.60	2.06	163.49	328.92	1146.46	114.46
	(42.19)	(9.60)	(19.52)	(71.31)	(9.40)	(4.48)	(0.18)	(14.26)	(28.69)	(100.00)	(10.02)
100 & above	542.22	205·86	367.46	1115.54	248.00	75.17	5.53	463.04	792.35	1907.89	308.44
	(28.42)	(10.79)	(19.26)	(58.47)	(13.03)	(3.94)	(0.29)	(24.27)	(41.53)	(100.00)	(16.17)
All Classes	344.95	51.46	138.11	534.52	48.25	39.90	(0.64	90.43	179.22	713.74	57.30
	(48.33)	(7.21)	(19.35)	(74.89)	(6.76)	(5.59)	(0.09)	(12.67)	(25.11)	(100.00)	(8.03)
						URBAN INDIA					
0—15	479.92	1.38	45.00	126.30	—	12.65	1.23	26.55	40.43	166.73	6.05
	(47.93)	(0.83)	(26.99)	(75.75)		(7.59)	(0.74)	(15.92)	(24.25)	(100.00)	(3.63)
15—28	173.78	10.08	82.37	266.23	4.22	25.63	3.15	30.28	63.26	329.49	20.80
	(52.74)	(3.06)	(25.00)	(80.80)	(1.28)	(7.78)	(0.95)	(9.19)	(19.20)	(100.00)	(6.31)
28—43	239.63	28.38	127.00	395.01	7.46	36.53	8.00	50.05	102.04	497.05	36.59
	(48,21)	(5.71)	(25.55)	(79.47)	(1.50)	(7.35)	(1.61)	(10.07)	(20.53)	(100.00)	(7.36)
43—55	282.93	51.12	178.82	512.87	15.52	45.54	15.65	82.16	158.87	671.74	64.89
	(42.12)	(7.61)	(26.62)	(76.35)	(2.31)	(6.78)	(2.33)	(12.23)	(23.65)	(100.00)	(9.66)
55—75	323.66	82.78	240.26	646.70	28.42	58.50	23.31	122.84	233.05	879.75	104.33
	(36.79)	(9.41)	(27.31)	(73.51)	(3.23)	(6.65)	(2.65)	(13.96)	(26.49)	(100.00)	(11.86)
75—100	351.56	123.53	341.55	815.64	50.36	71.47	44.11	197.77	363.71	1179.35	174.59
	(29.81)	(10.39)	(28.96)	(69.16)	(4.27)	(6.06)	(3.74)	(16.77)	(30.84)	(100.00)	(14,80)
100 & above	349.34	225.53	635.68	1210.55	173.80	102.81	109.95	567.30	953.86	2064.41	653.38
	(16.14)	(10.42)	(29.37)	(55.93)	(8.03)	(4.75)	(5.08)	(26.21)	(44.07)	(100.00)	(30.19)
All classes	298.26	89.12	271.54	658.92	46.97	58.21	34.31	174.45	313.04	971.86	174.52
	(30.69)	(9.17)	(27.94)	(67.80)	(4.73)	(5.99)	(3.53)	(17.95)	(32.20)	(100.00)	(17.96)

Figures in brackets are percentages to total consumer expenditure.


THIS 'N THAT by Kerry
I can't make out anything. I am the victim of self blinding
CORRUPTION CHARGES
OPPOSITION
JAGANNATH MISHRA


NOW I'M AWFULLY CONCERNED
It would have been just a prank had I been out of office
BOEING HI-JACKED

In the Nation

IFCI : Doing Well, Could Do Better

THE INDUSTRIAL Finance Corporation of India (IFCI) has shown good all round performance in its operations in 1980-81. Sanctions registered an increase of 35.4 percent from Rs 156.43 crores to 237 projects in 1979-80 to Rs 211.88 crores to 253 projects in 1980-81, and disbursements recorded a rise of 34.3 per cent from Rs 94.58 crores in 1979-80 to Rs 127.85 crores in 1980-81.

Out of 253 projects assisted during the year, 104 were new projects, which claimed assistance of the order of Rs 131.41 crores (62%); 84 projects were granted assistance for modernisation and renovation amounting to Rs 39.70 crores, in addition to Rs 25.52 crores to 50 projects sanctioned assistance under the Soft Loans Scheme. Fifteen projects claimed Rs 15.25 crores for implementing their schemes of expansion/diversification.

Assistance to projects located in the notified less developed districts/areas increased to 48.7 per cent of the total assistance sanctioned during the year as against 46.5 per cent in the previous year.

Sugar and textiles cooperatives numbering 22 claimed assistance of the order of Rs 19.00 crores during the year. This was substantilly higher than the assistance of Rs 4.34 crores sanctioned during the previous year to nine cooperatives. The private corporate sector claimed assis-

IFCI : Industrywise Analysis of Defaults (1979-80 and 1980-81)

(Rs crores)

	Defauts as on June 30, 1980				Defaults as on June 30, 1981				Defaults as percentage of loan outstanding
	No. of concerns	Principal	Interest	Total	No. of concerns	Principal	Interest	Total	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Mining	4	0.64	0.53	1.17	2	0.67	0.38	1.05	29.7
Sugar	70	8.96	5.04	14.00	59	12.94	5.93	18.33	20.8
Misc. food products	4	0.04	0.05	0.09	1	—	Negl.	Negl.	Negl.
Textiles	35	3.89	1.88	5.77	34	4.03	2.05	6.08	7.2
Jute manufactures	8	1.15	0.41	1.56	5	1.07	0.33	1.40	18.3
Wood products	4	0.07	0.18	0.25	4	0.13	0,26	0.39	9.0
Paper and paper products	21	1.17	1.33	2.50	21	1.61	1.69	3.30	6.1
Leather products	3	0.11	0.07	0.18	4	0.26	0.15	0.41	15.8
Rubber products	7	2.16	0.87	3.03	4	2.42	0.80	3.22	18.2
Basic industrial chemicals	11	0.85	0.69	1.54	10	0.66	0.26	0.92	3.0
Fertilisers	2	0.41	0.59	1.00	1	0.36	0.58	0.94	4.0
Synthetic fibre & resins	4	0.56	0.22	0.78	6	0.61	0.29	0.90	4.5
Misc. chemicals	8	0.54	0.13	0.67	9	0.56	0.12	0.68	8.3
Glass and glass products	6	0.36	0.22	0.58	5	0.46	0.42	0.88	14.6
Cement	3	0.82	0.62	1.44	5	1.16	0.84	2.00	3.7
Misc. non-metallic mineral products	6	0.29	0.17	0.46	4	0.34	0.20	0.54	7.9
Iron & Steel	17	2.17	1.18	3.35	14	2.64	1.03	3.67	10.7
Non-ferrous metals	3	1.11	0.20	1.31	4	0.74	0.24	0.98	30.9
Metal products	16	1.08	0.87	0.95	16	1.69	0.72	2.41	16.5
Machinery and accessories	24	1.59	0.98	2,57	19	2.20	0.70	2.90	15.0
Electrical machinery apparatus, appliances and parts	18	2.28	1.10	3-38	14	1.34	0.71	2.05	11.2
Transport equipment and parts	9	1.91	0.67	2.58	6	0.77	0.35	0.12	7.2
Misc. manufacturing industries	3	0.02	0.04	0.06	2	0.03	0.06	0.09	3.2
Hotel	10	0.61	0.71	1.32	9	0.68	0.72	0.40	11.8
Total	296	32.79	18.75	51.54	258	37.37	18.29	55.66	10.2

tance to the extent of 60.6 per cent of the total, while the share of Joint sector, public sector and cooperative sector worked out to 10.2 percent, 20.2 percent and 9.0 percent respectively.

The cumulative net financial assistance sanctioned by IFCI during 33 years of its service to industry aggregated Rs 1293,05 crores up to June 30, 1981 for 1404 projects involving a capital outlay of Rs 9546.20 crores. This assistance was claimed by 188 concerns in the cooperative sector. 109 concerns in the joint sector, 80 concerns in the public sector and 801 concerns in the private corporate sector.

Total disbursements upto June 30, 1981, aggregated to Rs9 28.54 crores, which constituted 71.8 per cent of the total sanctions. The total assistance outstanding as on June 30, 1981, amounted to Rs 582.87 crores.

As a result of concerted efforts, there was improvement in the overall recovery percentage, besides the number of concerns in default also come down significantly compared to the previous year's figure (see table p. 686).

Profits Doubled

Net profit for the year 1980-81, was Rs 8.38 crores as against Rs 4.79 crores for the year 1979-80. After appropriating a sum of Rs 7.25 crores out of its profits towards reserves, which was substantially higher than the previous year's figure of Rs 3.83 crores, IFCI has declared a dividend @ 7 per cent on the paid-up equity employed during the year 1980-81 as against 6½ per cent declared during the last three years.

An important feature of IFCI's operations has been the integration of its lending and investment policies with the country's Five year Plans. In the first year of the Sixth Plan period, i.e. in 1980-81, IFCI's sanctions at Rs 211.88 crores show an encouraging trend when compared with the assistance of Rs 282.03 crores sanctioned in the entire Fifth Plan period.

In the area of promotional activities, IFCI continued to operate in the main through (a) Risk Capital Foundation (RCF) set up by it, (b) Technical Consultancy Organisations (TCOs), set up in different States/regions by IFCI, other institutions and banks together, and (c) the Management Development Institute (MDI) along with its autonomous wing, i.e. Development Banking Centre (DBC).

Ministers' Meet on Irrigation

THE SIXTH Conference of State Ministers in charge of major, medium and minor irrigation, flood control and command area development was held last week. The Conference was presided over by the Union Minister for Agriculture and Irrigation, Rao Birendra Singh, and was attended by the Union Minister of State for Irrigation, Mr Z. R. Ansari; Member Planning Commission, Dr M. S. Swaminathan and the Ministers concerned from the State Governments as well as Union Territories. Thirtyfour Ministers from 21 States and Union Territories attended the Conference. The Conference was preceded by official level discussions for two days presided over by Secretary, Irrigation, Government of India, and attended by the officers of the Central Government and Secretaries and Chief Engineers from the State Governments.

In this official level meeting, all the items on the agenda numbering 17 were discussd in depth and on the basis of consensus, 12 resolutions were drafted for consideration of the Conference of the Ministers. The Union Minister explained the need for Central Government playing more active role in regard to formulation of national plans for water development for the greatest good of the largest number in the best national interest. Such plans would take into consideration the needs and requirements of one and all the States and would also study the potentialities for optimum development of water resources.

The country is afflicted today by droughts and floods. The Minister informed the Conference that the Central Government is constituting a Central Water Development Agency for investigations, studies and project formulation of all inter-State rivers. He also emphasised the need for Central legislation and requested for the whole-hearted co-operation of the State Governments. He mentioned that there will be an apex body called National Water Resources Council with all the Chief Ministers as Members and there will be five River Basin Commissions including the Chief Engineers of the States. The national water policy would be evolved in consultation with the States by the National Water Resources Council. There was general support for setting up the National Water Agency barring a few States. For water legislation also, there was a general support although some States wanted to know the details of the proposed legislation.

The Ministers' Conference passed 12 resolutions which embodied the review of the action taken on the resolutions passed in the Fifth Conference, review of the programmes and progress for 1980-81 and 1981-82 and programmes for 1982-83, efficient water management, cooperation of the States in the task of National Water Development Agency, recommendations of Rashtriya Barh Ayog, training of engineers, building of data base, drainage of irrigation commands, introduction of modern techniques in water management, scarce materials, taking over of useable exploratory tubewells and expediting procedures for release of forest land. The text of the resolutions reveals that much greater attention would now be paid to more efficient use of water and introduction of modern techniques in planning, implementation and operation of irrigation systems. Drainage would be paid much greater attention, so also flood control and Rashtriya Barh Ayog recommendations would be implemented expeditiously.

MMTC Exports

THE MINERALS and Metals Trading Corporation (MMTC) held its 18th annual general meeting last week. The Chairman, Mr D.K. Dhaon, was of the view that although 1980-81 had been a year of all-round growth (with total trade turnover increasing by nearly 33 per cent over 1979-80), 1981-82 would probably witness decline. Since this decline is going to be largely due to the reduced imports of fertilizers, aluminium and stainless steel, it is perhaps best that the MMTC now starts to increase its export turnovers more rapidly than import turnovers. For, otherwise, it would appear that the only justification for these State Trading Corporations lies in shortfalls in domestic output, which can be made up by imports through these agencies.

Actually, Mr Dhaon himself seems to be aware of the fact that much needs to be done towards strengthening the exports from MMTC. This is quite evident from his remark that "...tempting to believe that export trade turnover having registered a sharp and welcome break from the past trend may have gathered a momentum which would sustain growth in future as well. This view, unfortunately, is not warranted".

Cause for Concern

There are two factors which cause concern. First, is the international trading environment which has been none too good from the point of view of commodity trading during the past few-years and which has further deteriorated. And second, MMTC's exports consist only of primary products, which are scarcely a buoyant sector of world trade.

Mr Dhaon said that the Corporation has initiated steps to diversify its export activities. Since it makes most sense to diversify into product areas which are in some way related to the Corporation's present activities, the manufacture of metal products has been one of the first choices. An experimental scheme to export some selected products manufactured out of metals imported by the Corporation has been in operation for nearly three years now. Unfortunately, the scheme is still on the ground, not quite having taken off. The scheme is currently being restructured. It remains to be seen whether this will make any difference.

One area where the MMTC is making some headway has been the procurement of rough diamonds for cutting and polishing. India has the third largest diamond polishing and cutting industry next to Israel and Belgium. Uptil now this industry has been handicapped due to the lack of supply of adequate quantities of rough diamonds. MMTC is, therefore, concentrating on developing non-traditional sources of supply from producing countries. It appears an understanding has been reached with the Diamond Marketing Corporation of Ghana whereby the MMTC will get roughs on an allocation basis. The details are being worked out.

The Corporation has made a record net profit (before tax) of Rs 61 crores in the current year as against Rs 44 crores in 1979-80. The directors have approved the declaration of a dividend of 20 per cent out of the year's after-tax profit of Rs 25.2 crores. The directors have also proposed to issue bonus shares to the extent of Rs 14 crores. This will have the effect of raising the paid-up capital of the Corporation from Rs 21 crores to Rs 35 crores.

Besides the dividend, the Corporation has been making significant contribution to resource mobilisation of the country in other ways also. During the year, the Corporation contributed Rs 256 crores to the revenues of Central and State Governments. The Corporation also paid Rs 63 crores to the railways and ports. Including dividend it has, in all, made a total contribution of Rs 323 crores during the year to the national economy.

Power on War Footing

THE ELECTRICITY Enquiry Commission, set up by the Calcutta High Court in July last year, in its report submitted on September 26, has made several recommendations for tackling the problem of power shortage. Headed by Mr Jahar Sengupta, Managing Director, Chloride India, the Commission was constituted on the basis of a petition filed by a citizen, Mr Dipak Deb, who had complained about the mismanagement of the power department. Many of its findings and recommendations have been made before by the official and non-official bodies which had probed into the various aspects of the power crisis. Even so, the report of the Commission has served a useful purpose in drawing attention to the fact that the acute scarcity of power, confronting West Bengal for the last many years, has been caused mainly by inefficiency, indifference and indiscipline at various levels of the administration.

Demand-Supply Gap

The Commission has revealed that by the end of the present decade, the daily gap between demand and supply will be of the order of 1439 MW. It has therefore recommended that the State Government should take immediate steps to get more power projects sanctioned by the Central Electricity Authority. But will this serve a useful purpose so long as the utilisation of the existing capacity in the power plants continues to be highly unsatisfactory ? The Commission has said that during 1980-81 the Santaldih power station operated only upto 35 per cent of the capacity, Durgapur projects 29 per cent and the DVC 37.6 per cent. The Calcutta Electric Supply Corporation (CESC) however did better by having a capacity utilisation 57 per cent.

The Commission does not seem to have gone in detail into the reasons for the poor generation by the units of the State Electricity Board. How far has it been due to defective equipment, scarcity of adequate quantity of good quality coal, shortage of technical personnel of the right type, lack of sufficient autonomy and, above all, low productivity of workers ? The Commission has expressed doubts about the ability of the State Government to complete the Kolaghat power plant according to schedule. The implementation of the other power projects has also been delayed due to various reasons. In these circumstances, how is mere sanction of more projects by the Central Government going to help West Bengal to solve its power problem in the near future ? The Commission has proposed that a new generating agency should be set up in the joint sector. But, considering that the concept of joint sector has failed to click in other industries, is it likely to succeed in the field of power ?

The Commission's suggestion to extend the licence of the CESC by another 20 years upto 2020 AD is, of course, a sensible one. The Chairman of the CESC, Mr Bhaskar Mitter, in the course of his recent annual review of its working, explained that its expansion scheme was being implemented smoothly. The fact that the CESC was able to raise Rs 9.3 crores by way of public deposits in a period of five weeks gives some indication of the confidence it is able to create by its encouraging performance. In fact, the State Electricity Board can learn some useful lessons from the working of the CESC. Mr Mitter said that discussions with the labour unions on a fresh wage agreement had been satisfactorily concluded and that the memorandum of settlement was being enforced "in a spirit of reciprocity and mutuality of interests". He added that management development programmes both in-company as well as external and the training of engineers and supervisory staff for the proposed Titagarh generation station were continued throughout 1980-81.

The Commission has made a number of suggestions for reorganising the State Electricity Board. It has said that the Chairman and full-time members should be appointed through "an objective and rigorous selection procedure" and that their terms should not be less than five years. It has also proposed that as far as possible, full-time members should be drawn from within the organisation based on their service record. Even if these suggestions are carried out, will the Board be able to enforce effective discipline among workers and other categories of employees?

R. J. Venkateswaran writes from Calcutta

The Commission has stressed the need for a complete manual, clearly defining the responsibility of personnel at different lavels and indicating the punishment applicable in case of lapses or indiscipline. It is, of course, easy to prepare such a manual but who is going to ensure that its provisions are strictly implemented? The Commission has said that punishment should be imposed irrespective of the political allegiance of the offenders. Is this a realistic suggestion?

The Commission is not convincing when

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it says that the allocation of funds by the State Government to the power sector has not been adequate. On the other hand, it should have examined why, in spite of substantially providing more money for power in all its budgets, the Left Government has been unable to step up generation. The suggestion that the Government should mobilise international financial aid for the power projects seems to the premature. Such an approach should be made only after the Electricity Board is thoroughly reorganised and the State Government shows more seriousness in tackling this problem.

The Commission should have given thought to provide some immediate relief to the consumers. It should have examined whether load shedding cannot be done in a rational way instead of resorting to it in the present utterly chaotic manner.

The Commission has said that power shortage should be handled on a war footing. But are not the power plants already working on a war footing with the unions constantly and bitterly fighting each other ?

For A Thrilling Holiday

THE WEST Bengal Government has been lately giving greater importance to the promotion of tourism. It has launched a publicity campaign highlighting the State's tourist spots with particular reference to those with historical, religious, cultural, and industrial importance. The joy of the toy train Darjeeling, the mighty rhinos and the majestic elephants of the Dooars, the mosques of Murshidabad, the arts and crafts of Shantiniketan, the exotic tribal life in certain districts, and the gentle sea and Digha are some of the major attractions which are widely advertised. Attention is also focussed on the charms of Calcutta which has been described as "a city of extremes and surprises". The Tourist Department says that Calcutta, "the king-pin of Eastern India, will take your breath away" and that for centuries it has attracted scholars and savants by "its infinite variety and its undying zest for life."

The State Goveanment could also stress on other favourable factors which will help to attract tourists, such as the cosmopolitan character of the population of Calcutta, the virtual absence of communal and parochical feelings among the people, the firm commitment of the Government to the concept of national integration, and the State's achievements in the development of language and literature.

Middle Income Tourists

It is however necessary to provide greater facilities to encourage the flow of tourists belonging to the middle income groups. The existing amenities for tourists in this category are far too meagre. It is essential to set up more tourist lodges, youth hotels, cottages, private hotels, dormitories and guest houses, and to ensure that these are run efficiently. Both the Government of India and the State Government should closely cooperate with each other in augmenting the facilities for tourists who cannot afford the five-star style of living.

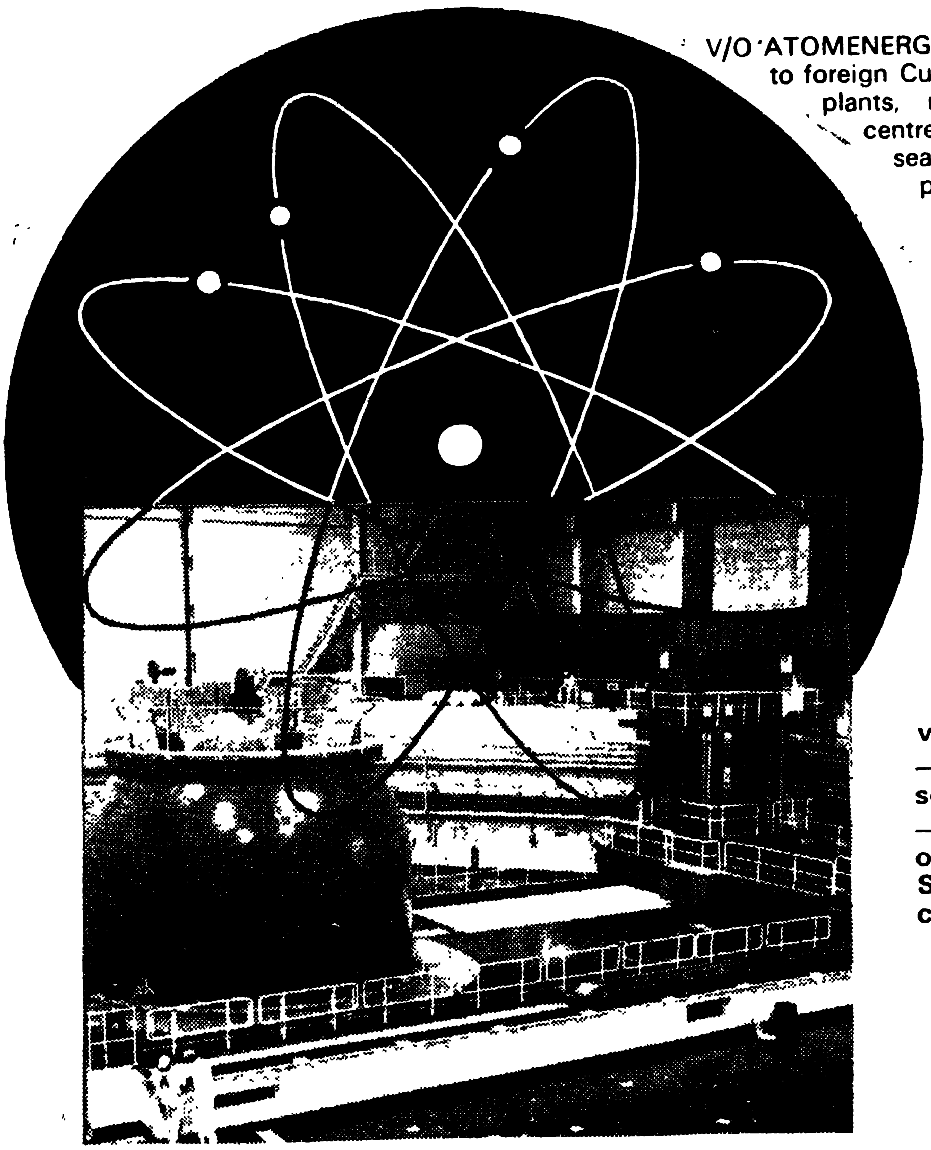
For example, the road connecting the city to the Calcutta airport is well maintained but not the road leading to the Howrah station. The Calcutta airport is going to be air conditioned but what is being done to improve the conditions at the Howrah station? Hundreds of people arrive daily in Calcutta by train but it seems to be nobody's responsibility to see that the Howrah station is kept reasonably clean so as to create a favourable first impression. Hold up of traffic for several hours because of congestion on the Howrah Bridge is quite common. (A few days ago such a jam lasted for ten hours!) Passengers miss trains and suffer hardship in other ways but the Government does not seem to care because the sufferers do not belong to the VIP category. One day, the former Governor, Mr T.N. Singh's car was caught in a jam and, as a result, his arrival in the Howrah station to see his son off was a little delayed. This news received front page publicity in the local papers.

The power crisis does not appear to be a great deterrent to the promotion of tourism. The people of West Bengal seem to have become reconciled to it and the tourists too in due course may learn how to adjust themselves to the powerless situation. But what about the frequent resort to bandhs? Since independence, there have been about 50 State-wide bandhs in West Bengal. Every time a bandh is organised, industrial associations highlight the loss in production caused by it. But such statistics have ceased to create any concern either to the Government or the public.

The Government should realise that these bandhs affect the image of West Bengal from the point of view of tourist promotion. It is, of course, unrealistic to expect political parties to give up this primitive form of expressing their protest. Whichever party or parties come to power in West Bengal, bandhs will continue to be organised from time to time on some pretext or the other. But the least that the Government should do to minimise their damage to the flow of tourists is to insist that no party should sponsor a bandh without giving a clear one month's notice. This will help intending tourists to avoid the uncertainty and hardship caused by instant bandhs or those held at short notice.

West Bengal has a large nnmber of backward districts and the attempts to industrialise them so far have not met with much success. Many of these districts have tourist potential of various types and its development will help to create more employment and improve the people's living standards. The State Government therefore should give greater attention to provide better infrastructure facilities in the districts. Its publicity campaign should tell the tourists what new things the State has to offer them in addition to its well known attractions.

"Have a thrilling holiday", says the Tourism Department of the Government of West Bengal. This appeal will have a better impact if the Government adopts an integrated approach to the promotion of tourism.



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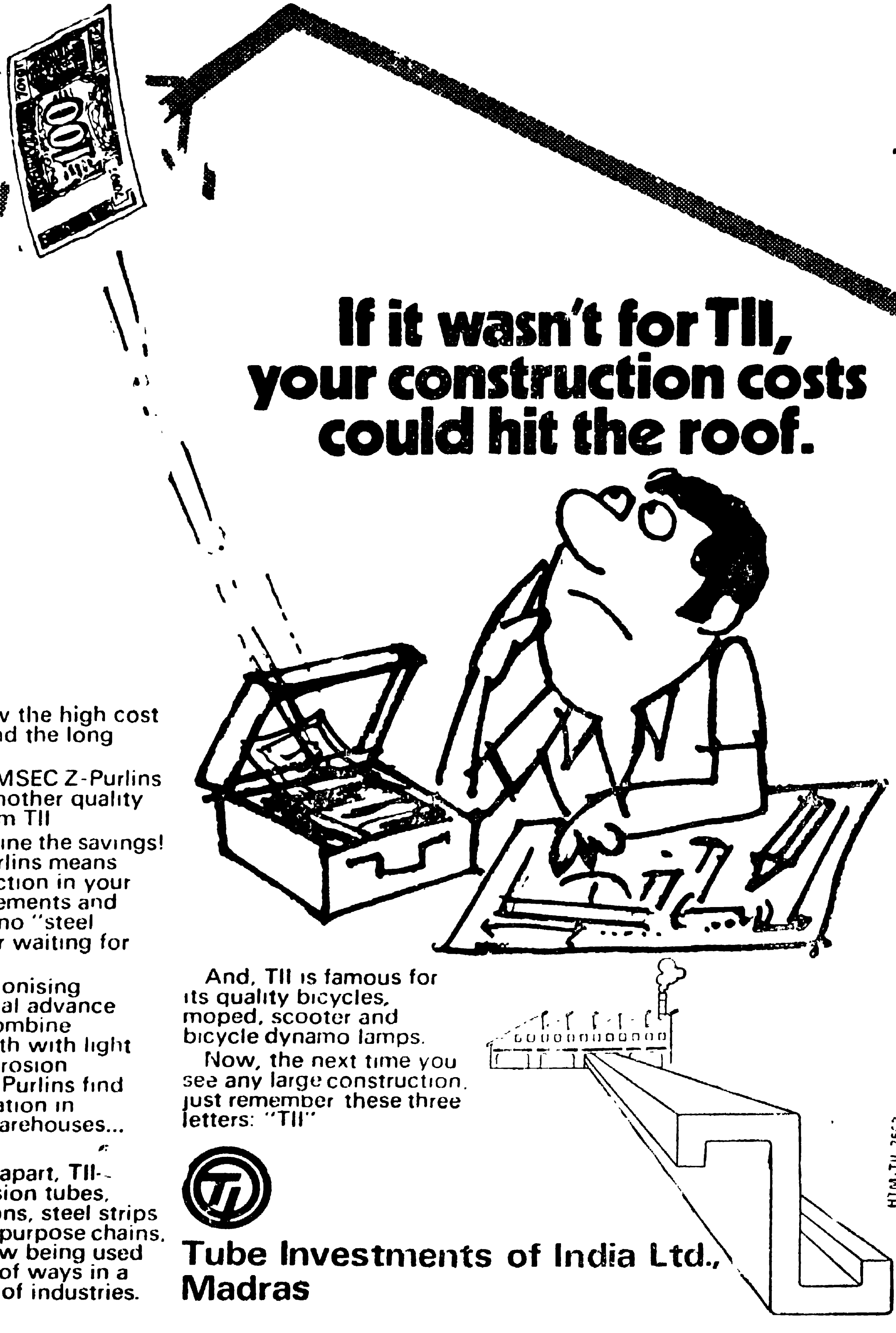

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Window on the World

Reagonomics Deepens European Recession

London

V. R. Bhatt

THE COLLAPSE of the stock markets round the world during September which has wiped off billions of dollars from share values is a clear signal that Western countries are sinking deeper into the recession along with developing economies. One of the biggest declines was in the London Stock Exchange on September 24, the deepest since the fall of Dunkirk during the beginning of the Second World War, bringing the overall fall in two weeks to 20.5 per cent. In two weeks 25 billion dollars were wiped off share prices. In Wall Street the share index has fallen from 1,000 to 800 and in Hong Kong from 1,700 to 1,300 and in Japan from 8,000 to below 6,000. The French, West German and even the Swiss shares had sharp falls.

Slump in Offing

Economic experts in the West had been predicting for some time that a down turn that could develop into a world-wide slump was in the offing triggered by President Reagan's rigid monetarist policies to solve the American problems of inflation, unemployment, trade deficits and falling production. Similar policies implemented by Prime Minister Thatcher of Britain had given a foretaste of what could happen in the USA. They have savaged the private sector, reduced manufacturing output by 17 per cent below the level when Mrs Thatcher took office, raised unemployment to three million which is 10.7 per cent, the highest in leading Western economies, (with the USA, France and Canada at around 7 per cent, Italy 8 per cent and Japan 2 per cent).

But what happens in UK has only a minimal impact on the world economy. It is quite different with developments in the USA. The chief weapon chosen by Mr Reagan to control the money supply—the monetarist cure for all economic ills—was to increase the interest rates, a method also used by British, French, Canadian, Italian and other Governments partly because of the American levels. High interest rates which have remained round 20 per cent in the USA are like a kiss of death to business and industrial enterprise (though not to banks and other financial instituitions) as it raises the cost of credit to levels that swell costs of production and investment creating losses or sharply diminishing profits. Initially it does reduce inflation, as it did in Britain but the British experience has been that it does so not positively but by the negative process of swelling unemployment as businesses and industries go bankrupt or prune their operations by closing marginal plants and reducing their labour force. But as high interests work into prices of consumer and other goods and services inflation begins to rise again. The falling demand from swelling jobless becomes a disincentive to increased production.

Effect on the West

The high American interest rates have affected the economies of all Western countries in many ways. They strengthen the dollar vis-a-vis other currencies by diverting external funds from London, Paris and Bonn to the USA attracted by the interest yield. As the value of the dollar rose it made oil dearer, despite the glut in the market caused by fall in demand in the industrialised countries as oil rials prices are expressed in dollars as also of other imports of raw and industrial materials and of grains and animal feeds of which the USA is the main exporter. Chancellor Schmidt of Germany who went to Washington to plead with Mr Reagan for a lowering of the interest rate was told that they were essential for reviving the American economy. France, Italy, indeed all Western countries have been hit and Britain which tried the method of high interest rate to check the growth of money supply is now as vocal as other EEC members of the damage done by the American rates. The British rate which had gone above 20 per cent had come down to 12 per cent but has been now raised and is expected to be set on the upward path.

Havoc Created

At the end of 2½ years of rigid monetarism which has created havoc with the economy social unrest and public protest, Mrs Thatcher has refused to change course and has sacked Cabinet Ministers along with the Chairman of the Party, the widely respected Lord Thorneycraft who wanted a modification of the policy.

The latest austerity measures announced by President Reagan however do not project that the American interest rates will be reduced, or the economy be stabilised. He had cut $35 billion off State spending in the first round and the second cuts add up to $16 billion, a major portion of which will fall on social security affecting the poorest in the country. Wall Street is not impressed by his claim that the $42 billion deficit estimated in 1981-82 budget will decline to zero in 1983-84 the final year of his four-year term. His expectations are challenged by the Congressional Budget Office which predicts a deficit of $80 billion in 1981-82 and higher deficit in 1983-84. The Conference Board a reputed private economic forecasting body predicts $60 billion deficit in 1981-82. Observers in USA and Europe see the Congress obstructing his latest proposals. There is mounting criticism from moderates in the Republican Party comparable to the resistance to Mrs Thatcher's policies in her own party. What European economists see is the impossibility of Mr Reagan's massive increase in the defence budget and tax cuts being balanced by the cuts he has announced. This means that high interest rates will have to be maintained and the prospects of inflation falling or output rising are unlikely.

American Paranoia

In an extraordinary outburst Republican Jim Leach, who heads a moderate Republican group called Ripon Society which claims support of about 30 members of the House of Representatives and 20 Senators, said "Reagan must be saved from Reaganism". He accused the American administration of "an almost exclusive paranoia against the Soviet Union with no complementary concern for needs of the less advantageous people of the world". This is a reference to Reagan's hard line on aid to developing countries. He has said that the World Bank and the IMF are subsidising "socialism" and recent American moves are aimed at stopping the expansion of SDRs which help Third World countries and restricting loans from international institutions.

The Europeans see in this situation the further deterioration of their economies and slim prospects of an early revival of the American economy. Mr Reagan like Mrs Thatcher is opposed to exchange or other controls which have been urged by many economists in place of high interest rates. The high rates will therefore continue to threaten the recovery of industrial West and severely limit the debt servicing of the Third World. His opposition to the Brand Commission's call for an enhanced role of the IMF and the World Bank and a new kind of Marshall Plan for the developing countries augers ill for them. In fact Reaganomics are being seen as a greater hindrance to economic revival than oil prices which have been contained by the wide scale conservation and substitution taking place the world over. •

The monetarist theory that the expansion of the money supply not backed by production or essential services will step up inflation is a valid economic principle which has been proved in application. Where the Reagan and Thatcher brand of monetarism is opposed is its rigidity and what Republican Jim Leach, quoted earlier, described as "narrow and compassionless ways" it was being implemented by the Reagan administration.

West Germany has been able to build up a sound and flourishing economy by the application of the monetarist principle with compassion and flexibility. The 1982 budget under discussion in the Bundestag now demonstrates how it works. The senior partner of the coalition the Social Democratic Party had proposed a budget with some cuts in public spending which did not satisfy the coalition partner the Free Democratic Party. A compromise has now been reached to keep budget increase to 4.2 per cent, which will mean a public borrowing of DM 26.5 billion next year compared with DM 33.4 billion this year. The defence budget has been trimmed and American criticism of the cut has been answered by the Defence Minister Matthoffer who said: "It would be better not only in the USA and Federal Republic but also the Soviet Union that armaments must take second place in times of economic difficulty to the goal of providing everyone with bread and work and improving their prosperity". The monetarist principle is also at the root of recent sharp price increases of vodka and tobacco and the doubling of the price of petrol in the Soviet Union.•

The only leading western country to reject the path of Thatcher-Reagan monetarism is France which under the Socialist President Mitterand has started a Keynesian programme of reflation to create new jobs initially in the public sector. Prime Minister Mauroy in presenting the programme in the National Assembly argued that the new jobs will increase demand which would help the private sector to expand and increase production, and thereby create new jobs. Incentives are being offered to industries to expand capacity. All remaining private banks and five big industrial companies are being nationalised. Foreign banks however do not come under this decree..

Monetarists have criticised the French plans as a recipe for hyper-inflation but a verdict must await the consequences

Browbeating Wall Street

Sudhir Sen New York

REAGANOMICS HAS suddenly taken a bizarre turn from the sublime to the ridiculous. In August, while the jubilant Reaganites, assembled on the West Coast, celebrated their thumping victory over the budget-and-tax-cutting bill, Wall Street was gripped by an unshakable melancholia with stock and bond prices hitting new lows for the year. And as the President, well-tanned and well-refreshed after a month-long vacation, returned to the White House, it defiantly greeted him with a vote of no-confidence, displayed more sinking spells and looked like setting the stage for a bond market funeral.

What a perverse behaviour, and what ingratitude, of all places from Wall Street after a Republican President had struggled so hard to give it so much in the brief six months he had been in office. He had pushed through Congress a huge spending cut plus a three-year 25 per cent tax cut plus indexation of taxes to inflation after 1984, along with most generous relief to business in various forms, especially as rapid depreciation of plant, equipment and buildings. The President and his aides had confidently counted on a burst of enthusiasm with an explosive rally in Wall Street as his economic plan progressed through Congress. But there was no sign of it. Instead, it acted as if the Reagan plan was all negative, an unmitigated misfortune at least for the immediate future.

This was too much for the loyalists. The Senate Majority Leader, Howard

Baker Jr., of Tennessee, chastised the financial community almost in a tone of ultimatum. "It's time indeed that the financial markets realized they're playing a dangerous game", he said. "It's time they pulled their own oar". If they did not show confidence in the administration's programme "within days", he warned, they could expect credit controls and an excess profits tax on interest.

Similar thoughts were echoed by the House Minority Leader, Robert H. Michel, Republican of Illinois. Referring to Wall Street, he said, "We gave them more than they ever dreamed, and you'd think more of a quid pro quo".

Futile Outbursts

Representative Barber Conable of New York, top Republican on the House Ways and Means Committee, displayed the same kind of impatience. He found it "incredible" that people were asking why the Reagan economic programme was not working. "For God's sake, it doesn't even take effect until October 1", he reminded. But if this were the case, why didn't the market look beyond that critical date to the rosy future supposed to be not too far ahead? After all, discounting the future is its primary function. Mr Conable shed no light on this point.

However, a lot of light has been shed precisely on this crucial question by another leading Republican Representative—Jack Kemp of New York, co-architect of the now-famous Kemp-Roth proposal of three-year 30-per cent tax cut which was derisively rechristened last year by Mr George Bush as "voodoo economics". "The Republican Party". Mr Kemp announced early this year, "no longer worships at the shrine of the balanced budget". The bold tax cut he proposed would, in his view, have an electrifying effect..it would create a surge in productivity, saving and investment, and the new revenues this would generate would more than compensate for whatever revenue loss the tax cut might ostensibly entail.

Here was an unprecedented leap of faith, which was all the more startling for a GOP leader because of the change of faith it signified. Until late last year, Republicans were almost unanimous in denouncing budget deficits as an economic evil, the festering source of inflation, also the primary cause of high interest rates since large Treasury borrowings competed with corporate borrowers, often crowded them out and in the process pushed up the rates. The financial markets have long accepted this reasoning and treated it almost as an axiom, after having repeatedly felt the brunt of large deficits. No wonder that they still worship at the old "shrine", yearn for a balanced budget, and refuse to march with a renegade Congressman to bow before a new economic fetish.

Ironically, the growing Republican indifference to budget deficits came just when the Democrats started to take a serious view of chronic deficits and also seemed more determined to rein them in. This role reversal prompted some to quip: Deficits cause inflation only when they are Democratic, not Republican. Anyhow, the markets make no such ideological distinction. They treat both impartially and regard them as equally inflationary.

"Eat and Slim"

The supply-siders had an easy—and painless—answer to the problem of large deficits, namely: kill them off with large tax cuts, that is, by enlarging the deficits: This is somewhat reminiscent of the ad for weight-watchers; "Eat and slim:" The tax-cut-induced deficits, it is held, are not only self-healing, but are the best cure of an economy afflicted with stagflation. Meanwhile, the monetarists who are well entrenched in key positions within the Reagan administration, avidly propagate a different brand of faith cure which is neither easy nor painless. In fact, monetarism, as a rule, involves a good deal of masochism.

The stock argument they are timelessly bandying around is as ingenious as it is fallacious. It can be summed up in the form of a simple syllogism: Inflation is a monetary phenomenon; deficits are not a monetary phenomenon; ergo, it cannot cause inflation. Linked to this is a second proposition: Fed creates money; Fed may create money to cover deficits; when it does so, there will be inflation; otherwise not. It is amazing how many sober-minded people have unwarily walked into these syllogistic traps.

The fact is that deficits, especially when they are large and chronic as has been the case in the USA in the last decade, are far from innocuous. The *are* inflationary, irrespective of Fed action. The Fed may periodically refuse to "monetize" them, that is, to accommodate the deficits by creating new money. Even then the deficits can, by other routes, get into the mainstream of economic life to be imperceptibly transformed into a monetary phenomenon. In short, deficits may bypass the central bank, but in a developed industrial economy they are almost always *self-monetized.*

Relevant Facts

Here are some relevant facts. First, the market has been so conditioned, largely as a result of past Republican preachings, that the moment it sees a projection of large deficits, it reacts with high inflationary expectations; and, by a process of self-fulfilment, these expectations are promptly translated into higher prices.

Second, even if deficits are not "monetized" the Treasury must still sell bills

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CHIEF EXECUTIVE

notes or bonds and siphon off funds. This often preempts the capital needed o maintain or build productive capacity n the private sector. Besides, it also pushes up interest rates which can become a major factor in pushing up costs and prices. This has certainly been he case this year with the prime rate tuck around 20 per cent most of the time.

Third, the bills and bonds sold by the Treasury are as good as money since hey can be used for down payment in making instalment purchases or used as ollateral for raising credit from commercial banks.

And finally, Fed's control over the ation's money supply is greatly exaggerated by the monetarists. The figures of money supply it publishes every week contain too many loopholes; it has no dependable yardstick to measure the velocity of circulation; its control over credit creation by commercial banks is much too weak; the banks can bypass the Fed and bring funds from abroad if and when they want. And finally, the Fed can assess the money-supply situation only by hindsight o that it has to play a catch-up game all he time.

The most pernicious thesis the monetaists have served is that what matters is he supply of money, not its price, that is, he interest rate; that, accordingly, the Fed should focus its mind only on the ormer and forget the latter. This is what t has, in fact, been doing since October 6 979, though with occasional lapses. ince last spring it has been virtually fored into a monetarist strait-jacket, which, more than anything else, explains today's kyrocketing interest rates.

Here are some facts about the nation's cal situation. The Congress has just ised the debt ceiling for the nth time— $1,079 billion. Servicing this debit inlves a huge amount; it accounts for 11 r cent of the total Federal budget. The m involved this year will amount to $81 lion to $90 billion.

The budget deficit in 1982 fiscal year rting from October 1 was supposed to be 2.5 billion according to the Reagan adistration's forecast. The Congressional dget Committee recently estimated that would be about $65 billion. Most of the increase is due to high interest cost. Just one per cent more paid by the Treasury on the bills it sells adds about $4 billion to its costs!

The Conference Board, a highly regarded nonpartisan research body, puts the 1982 deficit somewhat lower, between $57.5 billion and $62.5 billion. Yet it predicts that the leap in military expenditures coupled with the tax cuts already enacted will give the economy a "massive" fiscal thrust of $107.3 billion in 1982. This is equivalent to 3.33 per cent of Gross National Product and compares with $34.6 billion, or 1.25 per cent of GNP, in 1982.

The picture looks even grimmer beyond 1982. Most analysts believe that the Reagan programme cannot produce the balanced budget the President has promised for 1984. Slower growth, larger unemploment, and higher interest costs than assumed by the administration threaten to make this goal quite unrealistic. According to Data Resources, Inc, whose projections carry a good deal of right, the budget deficit would climb from $62.5 billion in 1981 to $75.7 billion in 1984 and would reach $90.8 billion in fiscal 1986.

These facts are more than enough to demoralise Wall Street. Moreover, since 1978 there have been several promises of balancing the budget, but the goal has consistently proved elusive while things have gone from bad to worse. This year the Street had hoped that President Reagan would not only try, but would also be able to keep his promise. Now he, too, is faced with a credibility gap. The Street is no longer disposed to act on hope or faith. Instead, it has adopted a "show me" attitude.

And for good reason. To cite just one example, in 1979 when investors were promised a balanced budget, a $1,000 Treasury bond was issued at 9-1/8 per cent with maturity in 2009. The same bond is selling today for $635! In three months since June last the bond market has lost $300 billion and the stock market $189 billion in value. This exemplifies the disaster that has struck especially the bond market. The vaunted supply-side economics needs, above all, a vibrant capital market for its success. Of this there is no sign on the horizon.

The administration is now caught in a fire storm. For this the fault lies neither in the stars nor in Wall Street, but in Reaganomics as designed by an aggressive group of dogmatic economists—supply-siders, monetarists, gold-faddists. And now it is hoist with its own petard. These maverick economists are supposed to be conservatives in their ideological affiliation. But as Senator Patrick Moynihan has aptly put it, "They are to conservative as anarchists are to liberals."

By now, it is abundantly clear that they cut taxes too much and too indiscriminately, kept money too tight—and interest rates too high—for much too long. The foremost task for Mr Reagan is to undo, at least partially, the damage that has already been done, and to set the nation's fiscal house in better order, by whatever steps may be necessary. Browbeating Wall Street is as senseless as smashing the thermometer because it shows a high temperature.

Pakistani External Accounts

Pakistan turned in a surprisingly good balance-of-payments performance in fiscal 1980-81 (ended June 30). The value of exports increased about 20%, with shipments of raw cotton and small-scale industrial products particularly strong. Imports, previously expected to surge because of the import liberalization measures adopted under the IMF's Extended Fund Facility programme, rose only 15%. Despite an increase in the trade deficit to $2.8 billion, the current-account deficit, at $1.1 billion remained virtually unchanged from its 1979-80 level, owing to a 20 per cent jump in worker remittances. Over the next two years, Pakistan's trade and current-account gaps are likely to widen. With the rupee pegged to the US dollar, Pakistan's exports have become less price competitive because of the dollar's appreciation. At the same time, additional modest measures have been announced to liberalize imports. As a result, the current-account gap is projected to widen to $1.4 billion in 1981-82 and to $1.7 billion in 1982-83. With the strong inflows of aid anticipated, however, such deficits should prove manageable.

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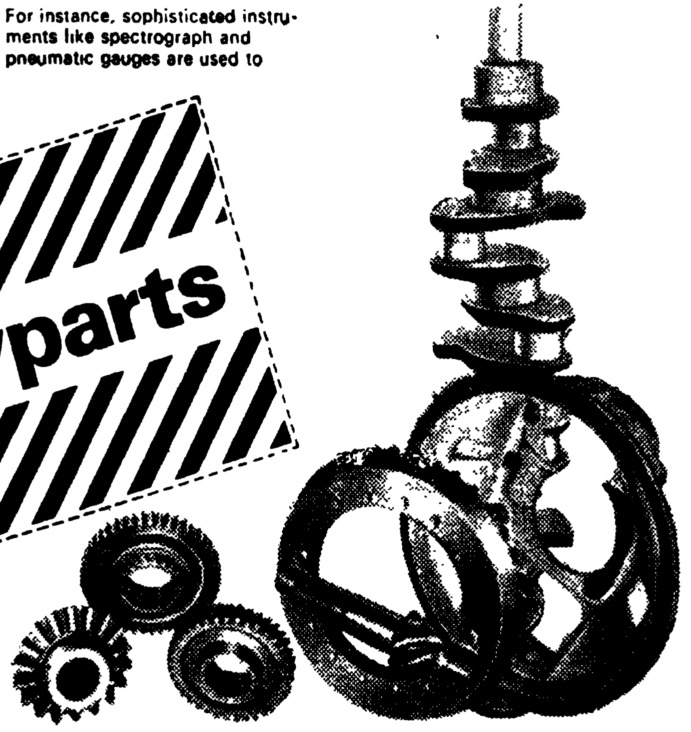

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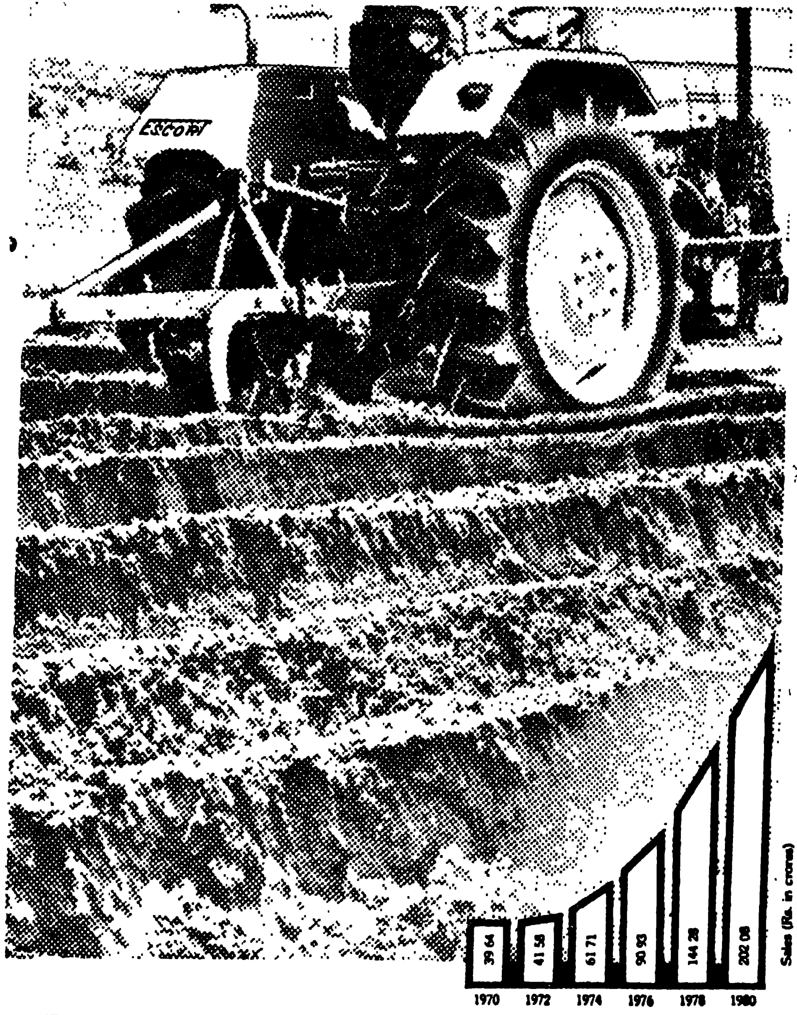

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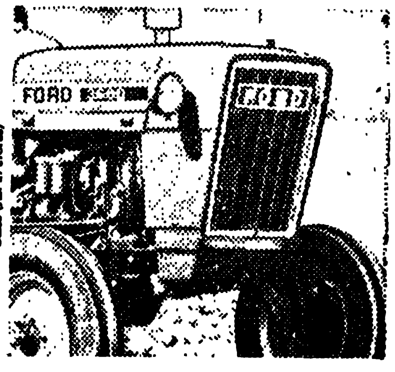

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Point of View

Farm Input and Output Analysis of West Bengal

Dr K. Sain & D. Dhar

The authors' analysis has found a substantial difference in the actual per hectare yield of paddy, jute and wheat and their optimum per hectare yield. They recommend reallocation of farm inputs and adjustments in the existing cropping pattern for ameliorating the economy of farms in various climatic zones of West Bengal. The authors are associated with the Bidhan Chandra Krishi Viswavidyalaya, West Bengal.

THE OBJECTIVES of this article are: first, to examine the existing pattern of resource use and the resulting yield in case of three principal crops in West Bengal, viz., paddy, jute and wheat and to estimate the optimum per hectare yield obtainable through proper use of farm inputs; and, second, to estimate the requirements of farm inputs to minimize per hectare cost of production in case of these three crops in the State. Incidentally, this analysis also throws some light on the extent of differences in respect of input use and yield per hectare as between different agro-climatic zones of the State of West Bengal.

The data used in this article were collected in connection with the comprehensive scheme of assessing cost of cultivation of principal crops in West Bengal for the crop year 1975-76. Four agro-climatic zones are covered in this study. Zone-II comprises the districts of Malda and West Dinajpur covering seventy sample farmers. Of them 10 farmers grow paddy, 40 farmers grow wheat and 20 farmers grow jute as main crop. Zone-III comprises the districts of Nadia and Murshidabad. The total number of sample farmers in this zone is 120. Of them 10 farmers grow paddy, 30 farmers grow jute and 20 farmers grow wheat as main crop. Zone-IV comprises the districts of Burdwan and Birbhum. Altogether 70 sample farmers are covered in this zone. Of them 20 farmers grow paddy and 50 farmers grow wheat as their main crop. Zone-VI comprises the districts of 24-Parganas, Howrah and Hoogly. The number of sample farmers covered is 80. Of them 20 farmers grow paddy, 30 farmers grow jute and 30 farmers grow wheat as their main crops. These cover the principal zones growing paddy, jute and wheat in West Bengal. The cost accounting method is used in collecting data under the comprehensive scheme.

The sampling method used is three-stage stratified random sampling. The technique of linear programming is applied to the observed data on use of four inputs, viz., human labour (hrs.), animal labour (pair, hrs.) fertilizer (kg.) in terms of nutrient and seed (Rs) to obtain one quintal of crops, viz., paddy, jute and wheat in the four agro-climatic zones of West Bengal referred to above. Farm inputs available per hectare for growing the three crops are estimated on the basis of these data. Profit per quintal for each of these three crops is estimated by deducting total costs (Cost C) from total revenue*. The basic data on this subject are presented in Tables I-IV.

The technique of non-linear programming is used to estimate per hectare requirement of principal inputs, viz., human labour, animal labour, fertilizer and seed to minimize cost of production of the three principal crops, viz., paddy, jute and wheat in four agro-climatic zones in West Bengal, viz., Zone II, III, IV and VI during the crop year 1975-76. Different prices per unit have been observed in different agro-climatic zones for the four principal inputs included in this study.

The results of application of the linear programming technique to the data on available farm inputs of human labour, animal labour, fertiliser and seed available with the sample farmers in the four agro-climatic zones of West Bengal stated above to obtain per hectare yields of paddy, jute and wheat for miximisation of profit are presented in Table I.

TABLE I

Optimum Yield Per Hectare of Paddy, Jute, Wheat in West Bengal During 1975-76 to Obtain Maximum Profit

	Crop (In Quintals)		
Zone	Paddy	Jute	Wheat
II	17.85	17.60	0.00
III	20.76	18.78	0.00
IV	45.16	--	0.00
VI	25.12	18.42	20.04

It is observed from Table I that the sample farmers in Zone-II will miximize profit by utilising their available farm inputs, viz., human labour, animal labour, fertiliser and seed, if they produce 17.85 qtls of paddy and 17.60 qtls of jute per hectare. It is also observed that wheat has no place in the optimum output combination for them. The sample farmers in Zone-III will miximise profit from their farms by utilising the available farm inputs to produce 20.76 qtls of paddy, 18 78 qtls of jute and 0.00 qtls of wheat per hectare. The optimum output for the sample farmers in Zone-IV reveals that their profit will be miximum if they produce 45.16 qtls of paddy only and nothing at all of jute and wheat. In Zone-VI the optimum output combination shows that the farmers can miximise profit by utilising their available resources in such a manner as to produce 25.12 qtls of paddy, 18.42 qtls of jute and 20.04 qtls of wheat per hectare.

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*R=(Main product+By-product) XMarket Price.

Cost C=Full cost of production excluding managerial allowances. These are estimated as per procedures followed by the Directorate of Economies & Statistics, Government of India.

The fact that wheat does not find any place in the optimum farm plan in the districts of Zones-II and III indicates that cultivation of wheat under the circumstances prevailing in these zones would reduce profitability of farming in these areas. In Zone-IV which is an irrigated zone, only paddy finds place in the optimum farm plan indicating that cultivation of jute and wheat in this zone will decrease profitability of farming. Zone-VI which covers the districts of 24 Parganas, Howrah and Hoogly which have agro-climatic conditions more or less equally suitable for cultivation of both Kharif and Rabi crops, shows that farmers will maximise profit by cultivating paddy, jute and wheat in their fields. The output combinations suitable for profit miximisation obviously bears more on comparative economic advantage for growing of the crops under study than on physical and climatic conditions.

Input Requirements

Estimates of requirements of the four principal farm inputs viz. human labour, animal labour, fertiliser and seed per hectare to produce the three principal crops of paddy, jute and wheat in the different agro-climatic zones in West Bengal on the basis of application of non-linear programming technique are presented in Table II, III, IV and V. It may be observed from Table II that per hectare requirements of human labour for production of paddy, jute and wheat are respectively 1110.58, 1437.74 and 665.63 hrs in Zone-II. The corresponding figures are 500.00, 685.00 and 719.00 hrs for Zone-III. Per hectare requirements of human labour for cultivation of paddy and wheat are respectively 1036.05 and 1055.22 hrs in Zone-IV. For Zone-VI per hectare requirements of human labour for paddy, jute and wheat are respectively 1617.00, 960.00 and 1562.00 hrs.

The observed differences in per hectare requirements of human labour for production of crops in the four different zones may be explained not only by differences in agro-climatic conditions in the zones but also by such factors as availability of human labour, extent of advancement of the farm economy including methods of cultivation and the prevailing wage rates. Despite the operation of the Minimum Wages Act, actual wage rates of human labour are not uniform all over the State of West Bengal.

Per hectare requirements of animal labour for production of these three different crops at minimum cost in the four different agro-climatic zones are explained in Table III. It is observed that the cost of production on account of animal labour will be minimum when 312.36, 251.18 and 216.68 pair hours of animal labour are used respectively for production of paddy, jute and wheat in Zone-II. The corresponding figures are 196.54, 333.40 and 202.00 pair hrs. for Zone-III. For Zone-IV per hectare requirements of animal labour are 276.87 and 265.27 pair hours respectively for production of paddy and wheat. Requirements of animal labour per hectare are 422.74, 95.09 and 212.29 pair hours respectively for production of paddy, jute and wheat in Zone-VI.

Availability of bullock labour and other traction power for farming, relative cost of such inputs, methods of cultivation followed in different zones, besides diver-

TABLE II

Per Hectare Use of Human Labour (Hrs). Requirements of Different Crops in Different Zones in West Bengal During 1975-76 in Order to Minimize Cost of Production.

Zone	Paddy Cost Curve	 Decision variable	Jute Cost Curve	 Decision variable	Wheat Cost Curve	 Decision variable
II	$0.29248\ x_1 - 0.000045\ x_1^2$	1110.58	$0.5213\ x_2 - 0.000016\ x_2^2$	1437.74	$0.0826\ x_3 + 0.000295\ x_3^2$	665.63
III	$0.7165\ x_1 - 0.000252 x_1^2$	500.00	$-0.3100\ x_2 + 0.000447\ x_2^2$	685.00	$0.9166\ x_3 - 0.000116\ x_3^2$	719.00
IV	$-0.4900\ x_1 + 0.001035\ x_1^2$	1036.05	—	—	$-0.7173\ x_3 + 0.001124\ x_3^2$	1055.22
VI	$0.5024\ x_1 + 0.000060\ x_1^2$	1617.00	$0.8090\ x_2 - 0.000188\ x_2^2$	960.00	$0.6849\ x_3 - 0.00007243\ x_3^2$	1562.00

TABLE III

Per Hectare Use of Animal Labour (Pair Hours) Requirement of Different Crops in Different Zones in West Bengal During 1975-76 in Order to Minimize Cost of Production.

Zone	Paddy Cost Curve	 Decision variable	Jute Cost Curve	 Decision variable	Wheat Cost Curve	 Decision variable
II	$0.2865\ x_1 + 0.002195\ x_1^2$	312.36	$1.1041\ x_2 + 0.001377 x_2^2$	251.18	$4.8465\ x_3 - 0.008377\ x_3^2$	216.68
III	$0.5121\ x_1 + 0.002482\ x_1^2$	196.54	$7.3516 x_2 - 0.027808\ x_2^2$	333.40	$2.4563\ x_3 - 0.004248 x_3^2$	202.00
IV	$2.4321\ x_1 - 0.001641\ x_1^2$	276.87	—	—	$0.2330\ x_3 + 0.004833\ x_3^2$	265.27
VI	$1.7942\ x_1\ 0.001525\ x_1^2$	422.74	$-10.9762\ x_2 + 0.0611\ x_2^2$	95.09	$0.8789\ x_3 + 0.001515 x_3^2$	212.29

gence in agro-climatic conditions, account for the differences in per hectare requirement of animal labour in different zones.

It is observed that per hectare requirement of fertilizer for production of wheat to minimize cost of product on account of this input was 63.82 kg in terms of nutrient during the crop year 1975-76. Per hectare requirement of fertilizer for jute turns out to be negative from application of non-linear programming technique indicating that the farmers are to abstain from use of fertilizer in production of jute in order to minimise cost of production in Zone-II. It is observed from the primary investigation that the farmers in this zone rarely make any use of fertilizer for jute. Farmers did not make any use of fertilizer in production of paddy in this zone during 1975-76. In zone-III per hectare requirements of fertilizer are found to be 70.09, 2.60, 48.26 kgs in terms of nutrient respectively for production of paddy, jute and wheat. For Zone-IV requirements of fertilizer per hectare are 19.00 for paddy and 81.00 for wheat to minimize cost of production. No fertilizer is used in cultivation of jute in this Zone. For Zone-VI per hectare requirements of fertilizer are 14.33 and 112.49 kgs respectively to minimize cost of production of paddy and wheat. No fertilizer was used in the cultivation of jute in this zone also.

Fertiliser Requirements

Non-availability of fertilizer at due times, at uniform rates and with equal ease, differences in irrigation facilities and methods of cultivation, besides divergences in soil type and climates, account for the inter-zonal differences in requirements of fertilizer to minimise cost of production.

Per hectare requirements of seed to minimize cost of production of paddy, jute and wheat in Zone-II are 52.02, 6.54 and 78.02 kgs respectively (Table V). The corresponding figures are 68.28, 7.92 and 98.20 kgs in Zone-III. Requirements of seed per hectare to minimise cost of production of paddy and wheat on this account are 58.02, and 100.02 kgs respectively in Zone-IV. None of the sample farmers grow jute in this Zone in the year of investigation. Requirements of seed per

TABLE IV

Per Hectare Requirement of Fertilizer (Kg in Terms of Nutrient) of Different Crops in Different Zones in West Bengal During 1975-76 in Order to Minimize Cost of Production

	Paddy		Jute		Wheat	
Zone	Cost Curve	Decision variable	Cost Curve	Decision variable	Cost Curve	Decision variable
II	Nil	Nil	$4.7338\ x_2 - 0.010133\ x_2^2$	-1.02	$8.5387\ x_3 - 0.006070\ x_3^2$	63.82
III	$-7.7765\ x_1 + 2.1850\ x_1^2$	70.09	$5.1270\ x_2 - 0.007400\ x_2^2$	2.60	$4.3546\ x_3 - 0.002723\ x_3^2$	48.26
IV	$5.1052\ x_1 - 0.048888\ x_1^2$	19.00	Nil	Nil	$6.3167\ x_3 - 0.018926\ x_3^2$	81.10
VI	$6.5463\ x_1 - 0.1000303 x_1^2$	14.33	Nil	Nil	$4.9237\ x_3 - 0.005542\ x_3^2$	112.49

TABLE V

Per Hectare Use of Seed (Kg) Requirement of Different Crops in Different Zones in West Bengal During 1975-76 in Order to Minimize Cost of Production

	Paddy		Jute		Wheat	
Zone	Cost Curve	Decision variable	Cost Curve	Decision variable	Cost Curve	Decision variable
II	$1.29011\ x_1 + 0.002463\ x_1^2$	52.02	$7.1314\ x_2 + 0.13818\ x_2^2$	6.54	$0.5449\ x_3 + 0.014492\ x_3^2$	78.02
III	$1.8202\ x_1 + 0.0056\ x_1^2$	68.28	$6.5088\ x_2 + 0.07204\ x_2^2$	7.92	$0.1313\ x_3 + 0.015668\ x_3^2$	98.20
IV	$2.7005\ x_1 - 0.017413\ x_1^2$	58.02	Nil	Nil	$0.9353\ x_3 + 0.008153\ x_3^2$	100.02
VI	$1.1182\ x_1 + 0.005771\ x_1^2$	72.02	$-2.3828\ x_2 + 1.4600\ x_2$	8.53	$1.6021\ x_3 + 0.0084\ x_3^2$	117.02

TABLE VI

Tests of Analysis of Variance : Anova Table

Input / Source of variation	Between Crops		Between Zones	
	Calculated F	S/NS	Calculated F	S/NS
Human Labour (hrs)	5.7905	S	7.4049	S
Animal labour (pair hrs)	8.52	S	5.90	S
Fertilizer (kg in terms of nutrient)	6.2132	S	12.4148	SS
Seed (Rs)	5.3144	S	8.3021	S

Tabulated

$F_{2,6}$ df at 5% = 5.14

at 1% = 10.92

$F_{3,6}$ df at 5% = 4.76

at 1% = 9.78

S = Significant

NS = Non-significant

All at 5% level of probability

SS = Highly Significant at 1% level

hectare to minimise cost of production of paddy, jute and wheat in Zone-VI are respectively 72.02, 8 53 and 117.02 kgs.

Non-availability of seeds, particularly, high yielding variety seeds, with equal ease and at uniform rates, differences in cultivation practices followed, besides divergences in soil types and climate account for the differences in per hectare requirement of this input in different zones for minimisation of cost in this regard.

In order to reinforce the above economic findings regarding the existence of differences in respect of use of inputs and the yield per hectare as between different agro-climatic zones, the statistical tool of analysis of variance is applied to the basic data on per hectare use of inputs and yield for the three principal crops of paddy, jute and wheat. Inputs used per hectare are divided by per hectare yield of these crops to arrive at per quintal requirements of inputs. The inputs being measurable quantities and population being large in size and hence, presumably, normally distributed, the technique of analysis of variance is permissible. The results of this test are presented in Table VI.

It emerges from the Anova table that the four agro-climatic zones exhibit significant differences in respect of use of human labour, animal labour, fertiliser and seeds per hectare and the resulting yields of paddy, jute and wheat.

To sum up, there are substantial differences in actual per hectare yield of paddy. jute and wheat and their optimum per hectare yield to obtain maximum profit for the farms. Per hectare use of human labour, animal labour, fertiliser and seed in production of paddy, jute and wheat in the four zones to minimise cost of production as estimated through non-linear programming techniques deviates significantly from the actual use of inputs. These exercises, therefore, reveal wide scope for reallocation of farm inputs and adjustment of existing cropping pattern for ameliorating the economy of the farms. There are also significant differences in the existing practices in respect of use of inputs and per hectare yield among the four agro-climatic zones in West Bengal indicating enough scope for inter-zonal allocation of farm inputs and augmentation of farm yield.

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1. Hadley, G Linear Programming; Massachusetts; Addison Wesley, 1962

2 Hadley, G : Non-Linear and Dynamic Programming, Massachusetts; Addison Wesley, 1964.

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STATE OF THE ECONOMY

Oil Struck at Palk Strait

OIL HAS been struck by the Oil and Natural Gas Commission (ONGC) in the first well drilled in the Northern Palk Strait in the Kaveri offshore basin. The flow rate recorded is about 1,500 barrels per day through a half-inch choke with a gas-oil ratio of 68.

The structure at the level of the pay-zone is approximetely 50 sq. km. in the area. The actual extent of the field will be estimated by drilling two or three further assessment wells. The well was spudded on July 30,1981 by the drill barge "Gettysberg" in nine metres of water which is considered the shallowest water depth in which a floating drill barge has operated in the world.

A special celler has been used for the installation of the BOP (Blow Out Preventor) stack below the sea-bed to enable drilling operations to be carried out.

The significance of this discovery is that oil has been discovered for the first time in the upper cretaceous sands in India. Earlier, in the Kaveri basin only indications of non-commercial oil were encountered.

The discovery of oil in Palk Strait is a major breakthrough for the ONGC. The Cauvery basin where the oil has been found is near Tamilnadu.

Rupee-Rouble Exchange

The rate of exchange between the rupee and rouble has been fixed at Rs 9,7247 per rouble with effect from September 10, according to a public notice issued by the Chief Controller of Imports and Exports. This will apply to the settlement of all existing and future credit agreements and commercial transactions between the two countries which have been or may be designated in roubles. This will also apply to contracts designated in Indian rupees where the contract price is specifically linked to the rate of exchange between the rouble and the rupee because of the period of implementation of the contract being one year or more.

Central Loan

The Union Government on September 24, announced the issue of three loans aggregating Rs 650 crore. They are: (i) 7.00 per cent loan, 1994 to be issued at Rs 100.00 per cent and repayable at par on October 12, 1994; (ii) 7.50 per cent loan, 2001 (second issue) to be issued at Rs 100.00 per cent, and repayable at par on July 21, 2001; (iii) 8.00 per cent loan, 2011 (third issue) to be issued at Rs 100.00 per cent, and repayable at par on April 27, 2011.

Subscriptions will be received only on October 12, 1981 up to the close of banking hours. In the event of a holiday being declared by any State Government under the Negotiable Instruments Act, 1881 on that day, the subscriptions will be accepted at the concerned receiving offices in that State up to the close of banking hours on the following working day.

The Government reserves the right to retain subscriptions up to 10 per cent in excess of the notified amount of Rs 650 crore, according to Finance Ministry announcement.

If the subscriptions received for the loans exceed the notified figure plus the amount of 10 per cent retainable as aforesaid, partial allotment will be made in respect of the loans on a proportionate basis and the balance refunded in cash as soon as possible.

Interest on 7.00 per cent loan, 1994 will be paid half-yearly on April 12, and October 12.

Hotel Corporation Deposits

The Hotel Corporation of India (HCI), a subsidiary of Air India, has been allowed by the Government to invite fixed deposits from the public. HCI has been authorised to do so under the Public Deposits Scheme. The Corporation has been authorised to raise deposits to the extent of Rs 2.66 crores.

The deposits from the public will be accepted on the standard pattern of terms and conditions at formulated by the other public sector undertakings. The rate of interest, accordingly, will be 11, 12 and 13.5 per cent on fixed deposits for one, two and three years respectively. Under the Cumulative Deposit Scheme an initial deposit of Rs 1000 will mature to Rs 1500 at the end of three years.

Electronic Switching in Telephones

The Posts and Telegraphs Department has drawn up a comprehensive plan for introduction of electronic switching system in the country on a large scale in the present decade. These switching systems employ electronic components and devices which have a much higher reliability. The existing crossbar and strowger type of switching systems working at present in the telecommunication network in large numbers use electro-mechanical components which get worn out requiring frequent adjustment and maintenance.

This was stated recently by Mr C.M. Stephen, Minister for Communications, at the meeting of the Consultative Committee of Members of Parliament attached to his Ministry.

The Minister said that consequent upon the introduction of electronic switching system in the network beginning in 1982-83, the performance of the metropolitan telephone systems, where the electronic systems will be introduced first is expected to show gradual improvement.

Perspective Plan

In reply to a question, Mr Stephen said that the department has set forth many objectives while conceiving the perspective plan for the current decade (1980-90). The objective is to provide telephones and telex connections practically on demand; full automatisation of the local telephone exchange network; replacement of all life expired exchange and other equipment in the network, as and when due; provision of subscriber dialling facilities on an integrated STD trunk network between all cities and towns with a population of 50,000 or more; provision of subscriber dialling facilities between all telephone exchanges within a secondary switching area (a secondary switching area is co-terminous with boundaries of one or two revenue districts); and extension of telephone service either through a telephone exchange or long-distance public telephone to within 5 kms of most inhabited locations in the country.

The Minister informed the Committee that to achieve the objectives, the Department has already ordered to import 15,000 lines of electronic trunk automatic exchanges to be installed at Bombay, Calcutta, Delhi and Madras. It is proposed to expand these exchanges by another 9,000 lines.

Orders have also been placed for import of 30,000 lines of local electronic exchange each of 10,000 lines for Bombay Delhi and Calcutta. Global tenders have been received fo 60,000 lines of small electroni exchanges of 200 and 600 line capacity. Another global ten der for 60,000 lines of mediun sized electronic exchanges ir the capacity range of 2000 an 4000 lines have also been re ceived and are being evaluated

Electronic type PABXs with 8,300 lines capacity are also being imported in connection with the Asian Games.

Exports of Processed Mica

Mr Pranab Mukherjee, Union Minister of Commerce, Steel & Mines, said recently that Government had no intention to go back on its professed policy of canlisation of exports of processed mica or to dilute it by delinking of small-sized mica. This, however, did not mean that constructive suggestions for improved implementation would not be welcome or that the existing mine-owners and exporters would be left out in the cold. He was addressing the fourth meeting of the Mica Advisory Committee.

Mr Mukherjee said the Government policy was matched with an equally firm intenttion to provide alternative avenues for exercising initiatives, experience and talent. He assured the committee that Government would render full encouragement to the private sector moving from export of processed mica to manufacture and export of mica-based products. Incentives available to export houses and 100 per cent export-oriented units would be made available to mica-based industries and requests for collaboration, chiefly technological or even fiscal, would be liberally examined. He regretted that while electronic and electrical industries in developed countries were growing at the rate of 35 per cent per year, yet there was no increase in demand of mica. Whereas the world trade of mica and its products was around Rs 200 crores, India's share was only about Rs 30 crores and yet we were the largest producers of sheet mica.

The Minister said that with the petroleum prices going up, the cost of substitutes of mica was beginning to become prohibitive and this was right time for not only developing mica products but also for organising consumer interest for a switch back to the use of mica. He felt that a beginning would have to be made within the country where itself the substitutes were preferred to mica.

Mr Mukherjee disagreed with the critics that canalisation had led to dicline in mica production. He said that whereas canalisation came into force in January 1974, production had been declining since Sixties. Another interesting factor which was peculiar to mica industry was that while mica production had shown a steep decrease over the last 10 years from 18,500 tonnes to 8,900 tonnes, the mica exports-both processed and

Northern Railway

TIME TABLE NOTICE

The salient features of Northern Railway time table notice which comes into force from 1st October, 1981 are as under :

Trains Introduced

Train No	**Between**
505 Up Express	Bara-Banki-Lucknow-Kanpur Central (En route from Samastipur)
506 Dn Express	Kanpur Central-Lucknow-Bara-Banki (en route to Samastipur)

Increase in frequency of trains

Frequency of 173 Up/174 Dn Himagiri Express will be increased from Bi-weekly to Tri-weekly and now it runs on the following days.

Train No.	**Revised Days**	
173 Up	Wed., Sat., Sunday	Ex. Howrah
174 Dn	Mon. Thur., Sun.	Ex. Jammu Tawi

Trains Extended

Train No.	**Between**
135 Up Passenger	Varanasi-Faizabad-Lucknow
136 Dn Passenger	Lucknow-Faizabad-Varanasi.

Trains bifurcated

Train No. 1 USD/2 USD running between Delhi-Shahdara-Shamli-Saharanpur-Ambala City will be bifurcated to run as 1 SSD/2 SSD between Delhi Shahdara-Shamli-Saharanpur and as 1 US/2 US between Saharanpur and Ambala City.

Train Cancelled	**Between**
15 Up Link Express	Varanasi-Faizabad-Lucknow
16 Dn Link Express	Lucknow-Faizabad-Varanasi.

Stoppages withdrawn

Train No.	**Station**
177 Up	Gharaunda

Important changes in Train timings

33 Up will leave Delhi at 20.50 hrs. against 21/20 hrs. and will arrive Jammu Tawi at 9/50 hrs. against 10.40 hrs.

177 Up will leave New Delhi at 21/20 hrs. against 20,50 hrs. and will arrive Jammu Tawi at 10/30 hrs. against 9/25 hrs.

23 Up will arrive Firozpur Cantt at 22/25 hrs. against 22/10 hrs.

45 Up will arrive Amritsar at 11/25 hrs. against 11/40 hrs.

62/66 Dn will arrive Varanasi at 18/- hrs. against 16/40 hrs.

115 Dn will arrive Lucknow at 16/5 hrs. against 16/25 hrs.

266 Up will leave Jodhpur at 15/35 hrs. against 15/50 hrs.

502 Dn will arrive Delhi at 22/20 hrs. against 22/05 hrs.

201 Up will leave Delhi at 22/10 hrs. against 22/25 hrs.

1 DG old No. 3 DG will leave Ghaziabad at 0/30 hrs. against 21/55 hrs. & will arrive Delhi at 1/15 hrs against 22/45 hrs.

2 BSN will arrive Hazrat Nizamuddin at 13/30 hrs. against 13/05 hrs.

371 Up will leave Delhi at 18/30 hrs. against 18/45 hrs.

5 ABP will leave Amritsar at 8/30 hrs. against 8/45 hrs.

1 APJ will leave Amritsar at 21/50 hrs against 21/35 hrs. & will arrive Jammu Tawi at 5/10 hrs. against 4/20 hrs.

106 UP will leave Lucknow at 15/15 hrs. against 15/40 hrs.

2 AD will leave Derababa Nanak at 6/55 hrs. against 6/40 hrs. and will arrive Amritsar at 9/- hrs. against 8/35 hrs.

1 JRJ will arrive Jullundur City at 9/48 hrs. against 9/28 hrs.

2 PJ will leave Jammu Tawi at 7/55 hrs. against 8/40 hrs. and will arrive Pathankot at 11/25 hrs. against 12/- hrs.

4 LJH will arrive Hissar at 20/15 hrs against 19/55 hrs.

13 UN will arrive Nangaldam at 23/- hrs. against 22/40 hrs.

1 SSD Old No. 1 USD will leave Shamli at 9/54 hrs. against 11/44 hrs. and will arrive Saharanpur at 12/55 hrs against 14/45 hrs.

1 KNJ will arrive Jakhal at 23/05 hrs. against 22/35 hrs.

4 SL will leave Lucknow at 17/- hrs. against 16/10 hrs. & will arrive Sultanpur at 21/20 hrs. against 20/30 hrs.

372 Dn will leave Haridwar at 4/50 hrs. against 5/05 hrs. and will arrive Saharanpur at 8/30 hrs. against 8/45 hrs.

1 CH will leave Chandausi at 4/30 hrs. against 4/50 hrs. & will arrive Moradabad at 6/- hrs. against 6/15 hrs. & will leave Moradabad at 6/35 hrs. against 6/45 hrs.

1 ACM will leave Aligarh at 4/- hrs. against 4/15 hrs.

129 Up will arrive Mughalsarai at 19/35 hrs. against 21 hrs. & will leave 20/35 hrs against 21/35 hrs. arriving Varanasi at 21/50 hrs. except SAT on SAT arriving at 22/05 hrs. against 22/50 hrs.

6 KM will arrive Khurja at 21/20 hrs. against 21/35 hrs.

3 JPJ will leave Jaisalmer at 20/- hrs. against 21/30 hrs. and will arrive Jodhpur at 6/25 hrs. against 7/15 hrs.

2 JPJ will leave Jodhpur at 8/- hrs. against 9/15 hrs. & will arrive Jaisalmer at 18/15 hrs. against 19/40 hrs.

1 BHL will leave Hanumangarh at 4/15 hrs. against 0/25 hrs. & will arrive Suratgarh at 10/15 hrs. against 6/30 hrs.

2 BHL will leave Suratgarh at 16/hrs. against 17/40 hrs. & will arrive Hanumangarh at 22/15 hrs. against 0/05 hrs.

1 SA will leave Anupgarh at 7/55 hrs. against 9/30 hrs. & will arrive Suratgarh at 11/- hrs. against 12/55 hrs.

2 SA will leave Suratgarh at 3/50 hrs. against 4/45 hrs. & will arrive Anupgarh at 6/55 hrs. against 8/20 hrs.

4 SA will leave Suratgarh at 16/45 hrs. against 16/20 hrs. & will arrive Anupgarh at 19/55 hrs. against 19/35 hrs.

3 SA will leave Anupgarh at 20/30 hrs. against 20/10 hrs. & will arrive Suratgarh at 23/35 hrs. against 23/20 hrs.

1 DF will leave Sadar Bazar at 4/30 hrs. against 4/55 hrs.

12 Dn will leave Delhi at 22/05 hrs. against 22/20 hrs.

Change made in running of through and Sectional Coaches

One 3-tier sleeper coach (GSCN) will be introduced between Delhi-Haridwar by 41 Up/42 Dn Express trains.

For detailed information regarding train timings, introduction of through and sectional carriages etc. reference should be made to October 1981 Time Table Available for sale at Railway Booking Reservation/Enquiry Office as well as bookstalls at important stations.

CHIEF OPERATING SUPERINTENDENT.

fabricated items taken together had remained steady around 23,000 to 24,000 tonnes per year. He said that this discrepancy between the production and exports could not be explained by accumulation of scrap and waste over a long period and a higher percentage of recovery of processed mica from crude mica. Such under-reporting of figures deprive Governmenf of its rightful due in the matter of royalty and duties and he requested the committee to suggest measures for remedying the situation.

LIC New Business

The Life Insurance Corporation of India (LIC) introduced a new business of Rs 818.06 crores under 5,47,801 proposals in individual assurances business during the first five months of the current financial year from April 1981 to August 1981, according to the LIC. The Southern Zone with an introduced business of Rs 250.64 crores and 179,783 proposals emerged on top followed by the Western zone with a business of Rs 191.17 crores and 126,473 proposals. The Eastern, Northern and Central Zones introduced a new business of Rs 143.05 crores, Rs 126.41 crores and Rs 106.79 crores respectively. The number of proposals introduced by these Zones stood at 104,481, 67,931 and 69,133 resuectively.

US Development Assistance

India and the United States signed two agreements totalling $4.5 million (approx. Rs 4 crores) as part of US development assistance to India for the US fiscal year 1981. The first agreement is for an amount of $4 million (about Rs 3.55 crores) comprising $1 million as grant and $3 million as loan for the Madhya Pradesh Social Forestry Project. The project is designed to increase the supply of fuelwood, fodder, small timber and other forest products on land adjacent to villages in Madhya Pradesh for the benefit of their inhabitants. Approximately 63,450 hectares of mixed plantations on wasteland will be planted. The total cost of the project, which is expected to be completed by March 1987, is estimated at $50 million of which US AID assistance will be of the order of $25 million, to be made available in three instalments, the present agreement being the first one. The grant will be used primarily to support scholarships, training, consultancies, research and studies under the programme. The loan is repayable in 40 years, including a grace period of 10 years carries an interest rate of two per cent for the first ten years and three per cent thereafter.

The second agreement is for a grant amount of $498,500 (about Rs 45 lakhs) to the National Council of Applied Economic Research (NCAER) for conducting a rural household survey. Both the survey and subsequent analytical work will be undertaken by the Council, which is an independent autonomous research institution. The agreements were signed by Mr Purshottam Lal, Director in the Department of Economic Affairs, Ministry of Finance and Mr John R. Westley, Acting Director, United States Agency for International Development, American Embassy on behalf of their respective Governments. With the signing of these two agreements, the total US development assistance for the US Fiscal Year 1981 amounts to $104.6 million ($93.6 million loan and $11 million grant). In addition, the US has also extended a grant equivalent to $20 million out of the US held rupees for meeting the requirement of private health institutions.

Tourism Promotion

Mr A.P. Sharma, Minister for Tourism and Civil Aviation, stated recently that the development of tourism in the country cannot be, and should not be, the main concern of the Government alone. The private sector will have to take on a major role in this field. Inaugurating the "Workshop on Tourism" organised by the Federation of Indian Chambers of Commerce and Industry, Mr Sharma said that the country had before it an ambitious task—that of creating the facilities and the infrastructure that would be needed to meet the requirements of 1.7 million tourists by 1985 and 3.5 million tourists by 1990. This was a real challenge before the country. Private sector should become a partner to the Government in meeting this challenge, the Minister said

Mr Sharma further said that an important item of this challenging infrastructure facilities was hotel accommodation. At present, 22,300 rooms were available in 363 hotels on the approved list of the Department of Tourism as against the requirement of 50,000 rooms by 1985 and 73,000 rooms by 1990. With a view to augmenting domestic resources, the Government had also allowed foreign investment and collaboration in the hotel industry. The Minister for Tourism and Civil Aviation said that with Rs 500 crores earned in 1980, tourism has become the fourth largest foreign exchange earning industry in the country. It was planned to make it tho number-one foreign exchange earner in the current decade. It was towards this goal that the Government had adopted a new national approach and perspective plans were being drawn up for the development and promotion of tourism in the country over this decade.

Panipat Thermal Power Station

The Planning Commission has approved the scheme of Panipat Thermal Power Station stage-III, as revised by the Haryana Government. The revised project is estimated to cost Rs 111 crores. The project envisages installation of one 210 MW turbo generator set with associated auxi-

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liaries together with boiler. The scheme also includes suitable extension of coal and ash handling systems, water treatment plant to cater for the needs of extension units, cooling tower, switchgears and step-up station. The power generated will be stepped up to 220 kV as in Stage I and II. One 220 kV double circuit and one 220 kV single circuit on D/C towers between Panipat Thermal and Panipat 400 kV Sub-station and 220 kV double circuit to Panipat Thermal and Narwana, already approved, will be adequate for evacuation of power from the Stage-III station.

Bharat Gold Mines

The State-owned Bharat Gold Mines Limited, made a profit of Rs 6.03 crores in 1980-81. the year of its centenary. This practically wiped out all the past accumulated losses of the company. During 1979-80 it made a profit of Rs 3.7 crores. The Chairman of the company, Mr P.D. Gupta, while presenting the annual report for 1980-81 recently highlighted the various programmes the company is undertaking in the field of environmental control and improving techniques of gold recovery. With the intensive exploration for gold included in the Sixth Plan, he said, not only the future of Kolar Gold Mines but the gold mining in the country itself appears to be bright in spite of recent fall in the international price of gold.

National Grid of Rural Godowns

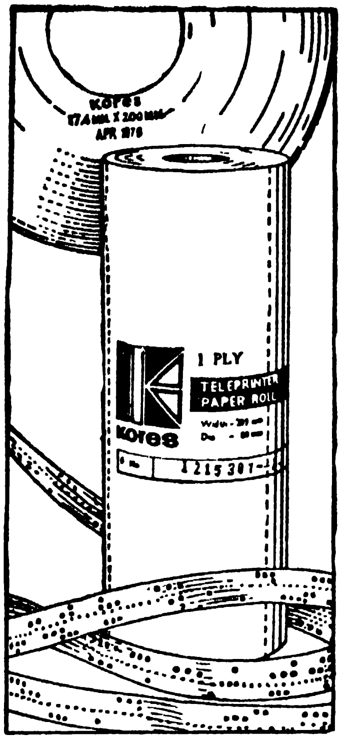
The Government has a scheme for establishing a national grid of rural godowns primarily to take care of storage requirements of agricultural producers, particularly small and marginal farmers. The object of the scheme is to prevent distress sale of foodgrains and other agricultural produces, immediately after harvest, at prevailing low prices and reduction of loss in quantity and quality arising from storage in sub-standard godowns. The scheme is to be implemented by cooperative societies, market committees and State Warehousing Corporations.

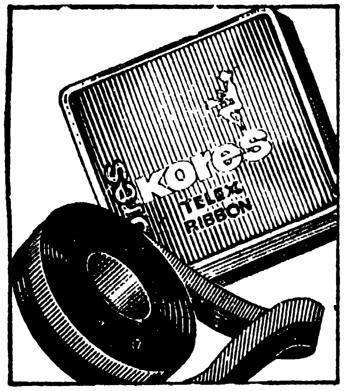
Names in the News

Mr M.K. Kumar, Chairman & Managing Director, Best & Cromption Engineering Ltd. Qualified as a Chartered Accountant in 1951 and entered service of a large sterling company in the South as Assistant Manager--rose to the position of Deputy Chief Accountant and Secretary of various planting companies in the group before moving to join a larger British managing agency house in India as Senior Accountant in 1963. He became an Executive Director in 1969 and became the first Indian Managing Director in 1973 to take over the operations of the group in South India.

Mr M.K. Kumar

He has been closely associated with the activities of the Indian Society for Training and Development and became the National President in 1976-77. He had also the privilge of being India's representative in the Executive Council of the International Federation of Training and Development Organisations based in Geneva. He has been in the Council of the Capexil, for many years, and from the inception of the Ossein Industry, has represented their interests in the Council. He has been elected Chairman of the Madras Chamber of Commerce and Industry for the year 1981-82.





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COMPANY AFFAIRS

Mysore Cements

THE WORKING of Mysore Cements Ltd for the year ended June 30, 1981, shows a profit of Rs 36.55 lakhs after making provision for depreciation. Accroding to the Directors the year under review started with a dismal note as the workers who had gone on strike from June 9, 1980 continued their strike till August 3, 1980. Thus, in the beginning of the year itself, the company lost production of 34 days. The company was hopefully looking forward to make good the production loss due to the strike but the inadequate supply of coal rendered the company helpless even in maintaining the normal production, let alone increasing the same. The quality of coal is also of great concern in as-much-as the useful heat value which used to be 5500 kilo/calorie has been dwindling right from 1977 and now has reached its lowest ebb, the calorific value in recent supplies having never gone beyond 2500 to 3000 with the ash content increasing from 20 to 22 per cent to over 40 per cent. This disturbing phenomenon, besides pushing up the cost of manufacture by way of increased consumption of coal, created enormous process problems due to high percentage of ash. The coal consumption which was 20 per cent has gone upto 6.25 per cent during the year and what is still worse, the quota of coal remained unchanged.

To deal with the increased capacity, the capacity of cement grinding has also been increased. The installed capacity is thus now 700,000 tons per year and the licensed capacity is being changed accordingly.

The financial results show a profit for the year of Rs 36.55 lakhs after providing for depreciation of Rs 113.18 lakhs (against Rs 90.63 lakhs last year). Profit for the previous year was Rs 47.97 lakhs.

The Directors have recommended, for approval of the shareholders, the dividend on 31,49,514 equity shares of Rs 10 each at the rate of 12.5 per cent which will absorb Rs 39.37 lakhs. After payment of the dividend the balance of Rs 2.47 lakhs will be transferred to general reserve.

Erection of the plant at Damoh is in full swing. All the imported machinery has arrived but due to non-delivery of certain essential indigenous equipment in time, the erection work in important sections has been held up. No efforts are, however, being spared by the company to adhere to the original schedule of commissioning the plant by the end of December this year.

Zenith Steel Pipes

Zenith Steel Pipes and Industries has received a letter of intent for setting up a project for the manufacture of 500,000 tonnes of cement per annum.

Disclosing this, the company's Chairman, Mr Ashok Birla, told shareholders at the annual meeting in Bombay recently that the cement project would further broadbase the company's operations.

The company's paper project is expected to commence commercial production by the middle of next year.

The company is also raising its equity participation in the Indonesian joint venture from $9.80 lakh to $ 19.55 lakh.

The company's working during the first four months of the current year (May to September 1981) has been satisfactory with sales amounting to Rs 23.76 crore against Rs 17.34 crore in the corresponding period of last year. The increase in sales has been partly due to the reduction in stocks. The profit margins are under pressure because of the increase in costs. Further, the prices of steel tubes in the domestic market have been adversely affected because of the sharp increases in the availability. In view of this, the company's performance during the remaining months needs to be watched.

The company's exports of pipes during the first four months of the current year have amounted to Rs 4.12 crore against Rs 5.17 crore during the corresponding period of last year. Its output of steel pipes remained stagnant around 24,000 tonnes during the first four months of this year although the availability of steel has improved considerably. Its production of special steels increased slightly to 7,900 tonnes compared to 6,400 tonnes. Its chemicals division at Tarapur is working at 90 per cent of its rated capacity.

J.K. Synthetics to Enter Capital Market

J.K. Synthetics Ltd proposes to issue 15,62,500 secured convertible debentures of Rs 160 each at par, aggregating Rs 25 crore.

The debentures will carry an interest of 13.5 per cent. per annum and an additional interest of one per cent will be payable if for the immediately preceding year the company declares a dividend on ordinary shares at a rate exceeding 18 per cent. Such a rate is to be proportionately revised in the event of any bonus share issue in the future.

The convertible part of the debenture is Rs 40 and the non-convertible part is Rs 120.

The company has an obligation to issue and the debenture holder to take up two equity shares of Rs 10 each credited as fully paid up at a premium of Rs 10 each or at such a premium as approved by the Government without making any application. The company will issue these shares to debenture holders on January 1, 1983.

In the event of an issue of bonus shares by the company, the allotment of new shares as on January 1, 1983, the number of new equity shares to be issued and allotted against such adjustments and appropriations shall be, subject to Government approval, stand augmented in the same proportion in which such augmentation shall take place in the equity share capital of the company.

Consequent on the issue of bonus shares, the premium of new equity shares shall also stand reduced pro tanto.

The public issue is for Rs 12 crore, representing 48 per cent of the total debenture issue. Debentures of the value of Rs 5.50 crore are reserved for allotment to shareholders and debenture-holders, Rs 1.50 crore for fixed deposit holders, Rs 2 crore for Directors and their associates and employees and Rs 4 crore for non-resident Indians.

Balkrishna Paper Mills

The Balkrishna Paper Mills Ltd suffered a setback during 1980-81 mainly due to the major breakdown of the boiler, the Chairman of the company, Mr Mahabirprasad Poddar, told shareholders at the 19th annual general meeting of the company.

Installation of a new boilder and major repairs and maintenance work resulted in the company producing less, he said.

The synthetic textile processing house commenced production from February 1981. Till August this financial year, the plant processed 10 lakh metres of suitings and shirtings, thus achieving 50 per cent of the installed capacity. By the end of the year, the company hopes to achieve 75 per cent of the installed capacity, he said. A 100 per cent utilisation is expected to be achieved by March 1982.

Oriental Carbon

The profit of Oriental Carbon Ltd has amounted to Rs 39.04 lakh for the year ended June 1981 after providing for depreciation against Rs 24.39 lakh in the previous year. A sum of Rs 6 lakh (Rs 12.90 lakh) has been provided for investment allowance reserve.

A taxable ordinary dividend of 10 per cent (nil) has been declared absorbing Rs 20 lakhs after adding the balance of Rs 9.43 lakh brought forward from the previous year, there remains a balance of Rs 22.47 lakh which the Directors have transferred to general reserve.

Cholamandalam Investment

Cholamandalam Investment & Finance Company Ltd in the second full year of operation had gross assets under lease of Rs 134 lakhs for the year ended June 30, 1981 as compared to Rs 36 lakhs in the previous year. Together with the leasing activity they also have hire purchase scheme and the stock sold under this scheme rose from Rs 5.25 lakhs in 1979/80 to Rs 19 lakhs in 1980/81. For the year ended June 30, 1981, the company has made a profit of Rs 9 lakhs as against a deficit of Rs 2.75 lakhs in the previous year. The company made a marginal profit in the previous year, but was left with a negative balance on account of creation of investment allowance reserve. This year the company has wiped out the negative balance. After setting aside Rs 3.26 lakhs towards investment allowance reserve and Rs 0.5 lakhs towards general reserve, it is left with a surplus. The Directors have recommended a maiden dividend of 10 per cent subject to tax.

Scindia Steam

Scindia Steam Navigation has returned to the dividend list after a lapse of two years. The company's board has proposed a dividend of 10 per cent, or Rs 2 a share for the year ended June 30, 1981. The company had passed over dividend for 1978-79 and 1979-80 and paid a dividend of 12.5 per cent for 1977-78.

The company has earned a higher gross profit of Rs 18.31 crore for 1980-81 against Rs 16.27 crore for the previous

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Essential Professional Experience after Acquiring Qualifications: Candidates should have had on 1st September, 1981 at least *Two* years teaching or research or practical experience except in the case of Fine arts and Western Music. Preference will be given to candidates who already hold a job and are sponsored with the assurance from their employers that they would be re-absorbed in their posts on their return from abroad.

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Last Date for supply of application forms: October 16, 1981; for receipt of completed applications: October 24, 1981.

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year. Its turnover has increased slightly to Rs 114.48 crore from Rs 110.51 crore.

The dividend proposal and the profit performance are short of market expectations In view of this, the company's shares were easy around Rs 23.50 in kerb deals.

The company's net profit amounts to Rs 6.31 crore against Rs 5.02 crore after providing Rs 11.78 crore (Rs 11 crore) or depreciation and Rs 22 lakh (Rs 25 lakh) for foreign taxation. Out of this a sum of Rs 1.40 crore (nil) is transferred to the investment allowance reserve and Rs 2 crore (Rs 2.20 crore) to the development rebate reserve in respect of earlier years. After adjustments, a sum of Rs 3 crore is transferred to the general reserve. The proposed dividend will claim Rs 1.90 crore.

Deccan Cement

Deccan Cements, a new company setting up a mini-cement plant at Mahamkalingudam village in Andhra Pradesh, hopes to pay a maiden equity dividend for the first full year of its operations. The company's plant is expected to commence commercial production in June 1982.

The project licensed to produce 60,000 tonnes of cement per annum has made considerable headway and is estimated to cost Rs 5.48 crores. To meet a part of the finance, the company is entering the capital market on October 14, with a public issue of 990,000 equity shares of Rs 10 at par. The project cost is being met from the equity share capital of Rs 1.65 crore, term loans of Rs 3.68 crore and central subsidy of Rs 15 lakh.

The special features of the project which has been promoted by a group of technocrats, include plant location in close proximity of limetone deposits and other raw materials, ready market for its products and substantial incentives in the form of relief in excise duty and freight expenses.

According to Mr. V.K.K. Raja, Chairman, the company will be entitled to 50 per cent resale on excise duty for a period of five years as the company's cement project is a mini-cement plant. This will mean bene fit of Rs 35.75 per tonne at the existing ratio of exise duty of Rs 50 per tonne on freight charges owing to locational advantages. In view of this, the company's profitability is expected to be higher than any of the major cement projects. Again, the mini-cement units are free from distribution controls.

The company has plans to diversify its activities after commissioning of its cement plant. It proposes to go into white cement and calcium carbide fields.

Orissa Cement

Orissa Cement Ltd, has reported that its total turnover (exclusive of the turnover of Hari Fertilisers' unit taken over on September 1, 1980) for the first half of 1981 was Rs 27.11 crore against Rs 21.31 crore in the corresponding period of 1980.

The production and sales of cement during January-June 1981 were slightly higher. Production has gone up from 200,000 tonnes in the first half of 1980 to 206,000 tonnes in the corresponding period of the current year and sales were also better at 206,000 tonnes against 197,000 tonnes.

Chase Bright Steel

The decontrol of steel prices announced by the Government in February 1981 has upset the company's projects on account of the increase of steel prices by Rs 1,500 per tonne, Mr. S.L. Jajodia, Charman of Chase Bright Steel.

The Government's recent decontrol in steel distribution may put the organised sector into a serious disadvantage because they do not hold inventories nor can they buy sufficient quantities from small producers. To add to this, the Government has also increased the import duty from 40 per cent to 175 per cent, he added.

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Drugs Capacity Regularisation

THE LAST week's decision of the Union Government to regularise the excess installed capacity in the drugs industry, though conditioned a good deal, needs to be commended. The stringent price control on most of its products as well as the overall profitability of the industry, indisputably, has been acting as a serious constraint on fresh investments in it at a time when the demand for drugs has been growing steadily. In such a situation, a rapid growth in production obviously can be ensured only through better utilisation of the existing facilities, which even otherwise is proper for containing costs and making optimum use of the scarce capital resources. The Government decision precisely is a recognition of this fact.

The regularisation of excess capacity in the industrial sector in the recent past has been governed by the industrial policy statement of last year under which the excess capacities in several lines of manufacture, particularly in the engineering and chemical industries, were regularised in July, 1980. The drugs industry, however, was kept out of this exercise as it was governed by the drugs policy which aimed at containing the role of the foreign companies and encouraging the growth of the Indian sector, both public and private. The recognition of increased capacities of the units in this industry, thus, was on the basis of the best production performance over a period of time and not in terms of installed capacities. Since the overall industrial policy has primacy over the policies relating to specific industries, the last week's decision rectifies the anomaly to some extent in respect of the drugs industry. Under it, the installed capacities of the drugs manufacturing companies will be recognised as on September 4, 1980, subject, of course, to certain stipulations.

Some of these stipulations, however, are not unwarranted. The excess capacities of the MRTP and FERA companies, for instance, will be regularised only if they agree to supply 50 per cent of the bulk drugs produced in excess of their hitherto licensed capacities to non-associated formulators. This percentage will be 40 in the case of public sector undertakings and 30 for the private Indian sector companies. The supplies under this formula will be in addition to any existing condition of supply to the non-associated formulators out of the presently installed capacities. Such a condition can hardly be objected to not only in the interest of obviating the perpetuation of the stranglehold of the MRTP and FERA companies in the formulations field but also for providing some further stimulus to the growth of the decentralised sector. The MRTP and FERA companies, of course, will have some growth in the formulations field on account of their share in extra production of bulk drugs. The bulk drugs and formulations ratio has not been altered to their disadvantage. The excess installed capacities are to be regularised, to the extent possible, in the price-controlled categories.

The same, of course, cannot be said to be the case with two other conditions applicable to recognition of excess capacities. The Government has reserved the right to impose obligation on the MRTP and FERA companies to export the whole or a part of the additional production of bulk drugs and formulation. In principle, this stipulation is not wholly unjustified, but care apparently will have to be taken in exercising it. Not only the domestic demand needs to be fully met at reasonable prices but also the prices at home and abroad and similar other facts have to be taken note of. If exports entail large subsidies or unduly raising of the internal prices to offset export losses, they will not be worthwhile.

The second condition in this category, that is the foreign companies which are producing formulations from imported bulk drugs or manufacturing bulk drugs from penultimate stages will be required to produce bulk drugs from the basic stage, may prove all the more onerous. While the manufacture of bulk drugs from the basic stage needs to be encouraged, the size of the market as well as the technology and scale of production aspects of the issue cannot be ignored. Indiscriminate enforcement of this condition may inflate production costs to the detriment of the consumer. A flexible approach in regard to both export obligation and manufacture of bulk drugs from the basic stage, thus, will be required if the regularisation of the excess capacities is to yield the desired result of augmenting production at reasonable costs.

It also needs to be stressed that excess capacities result from putting up of large additional equipments and machinery as well as from modernisation. The updating of technology has to be a continuing process, The increases in capacities through modernisation programmes or the debottlenecking process requiring just marginal additions of balancing equipment ought to be treated differently from the expansions of capacities through regular expansion programmes, entailing duplication of production facilities or installation of sizeable additional equipments and machinery. The regularisation of excess capacities resulting from modernisation and the debottlenecking process, in general, needs to be made automatic or at least less cumbersome.

The Hindu Sammelan

A VIRAT Hindu Sammelan was organised in the capital last week. By any standards it was a great success. What should one make of it?

It could be interpreted as a Hindu backlash against the conversion of some people to Islam. This would be a narrow view. If a few hundred Hindus decide to change their religion, a secular nation with over 60 crores of them does not get unduly perturbed. It notes the event and passes along.

Alternatively, the rally could be interpreted as a move towards polarising the country along religious/communal lines. This would be the hypocritic view, for that particular polarisation took place when the Muslim League was formed.

A third explanation could be that in choosing to rally together as Hindus (rather than as Indians or whatever) they wish to remind the politicians that they form the majority in this country and that they are impatient with the pampering of the minorities. This would be only about 10 per cent true.

A fourth explanation could be that they endorse the view of Dr Karan Singh and other speakers at the rally, namely, that Hinduism needs to be rid of the evils that sometimes characterise it. Hmmm.

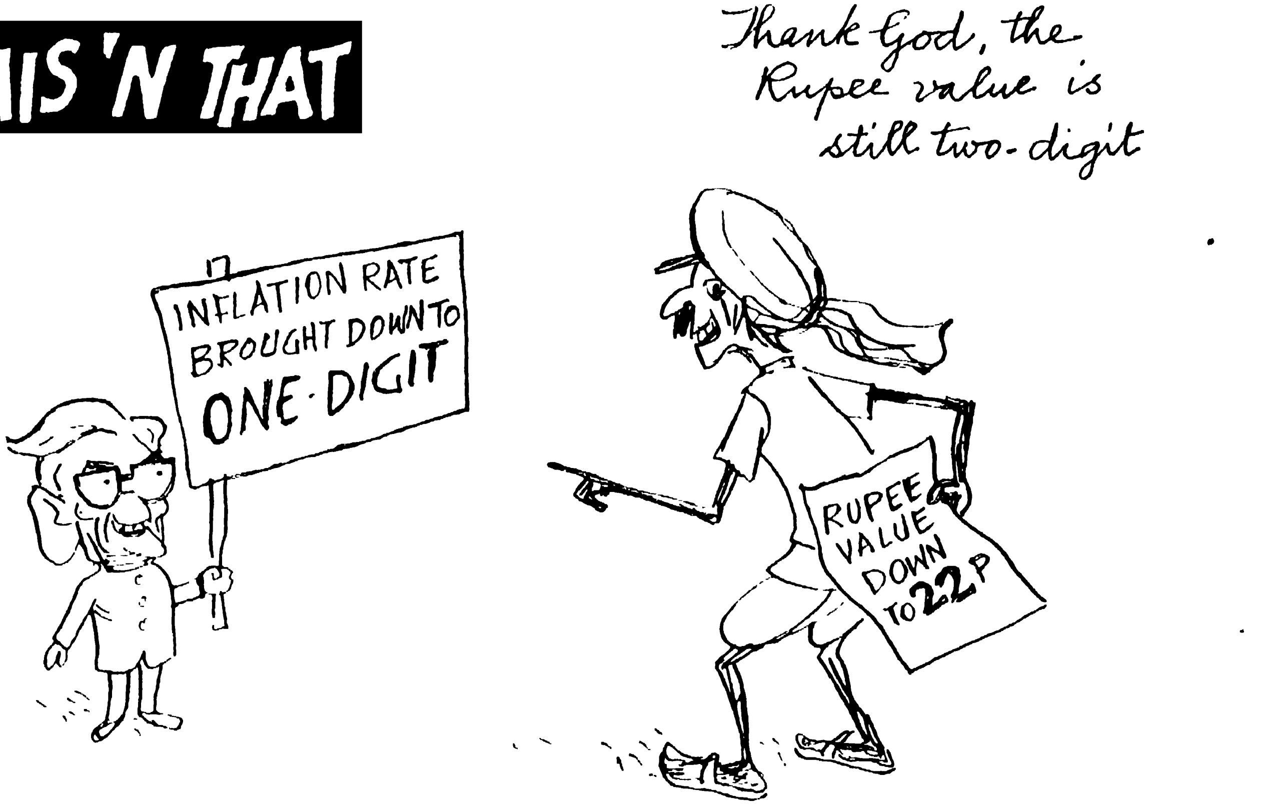
Taken separately, none of these would suffice to explain the huge turnout at the rally. But together, they do add up to a reasonable analysis. Thus, if the majority community feels aggrieved or perceives uneven treatment, those in a position to do something about it should sit up and take note.

First, they should take a fresh look at the policy of reservations. Preferential treatment ought to be given on the basis of a person's economic circumstances and not on the basis of his caste. A poor Brahmin feels as deprived as a poor Mahar, particularly in the urban areas where caste barriers operate only in respect of marriage, etc. The problem becomes worse when the offspring of a well-to-do scheduled caste or scheduled tribe person is preferred over the son/daughter of a poor man from one of the non-scheduled castes or tribes. For example, there is no reason why the son or daughter of, say, a foreign service officer who also belongs to a SC/ST category should be given the same concessions which the father may have been given a generation earlier, perhaps deservedly.

Second, the higher caste Hindus themselves must make an effort to overcome their absurd prejudices. This can be done only if a strong reformist movement comes into being. (An attempt to abort such a movement will definitely be made. It must be resisted by the reformers by staying out of politics). The reformers, instead of appealing to the better nature of men, should employ the discoveries of science to explain why and how there is no difference between a Brahmin and a Mahar. This approach will take time to succeed which is why the reformers must start now. (Incidentally, it is worth remembering that the caste system was more a division of labour. The misuse is of subsequent origin).

Meanwhile, those in power should concentrate on the upliftment of rural India because ultimately it will be this that will make casteism a distant memory. Concessions, reservations and things like that are no substitute for economic forces which can inexorably rid the Hindu society of its biggest blemish.

THIS 'N THAT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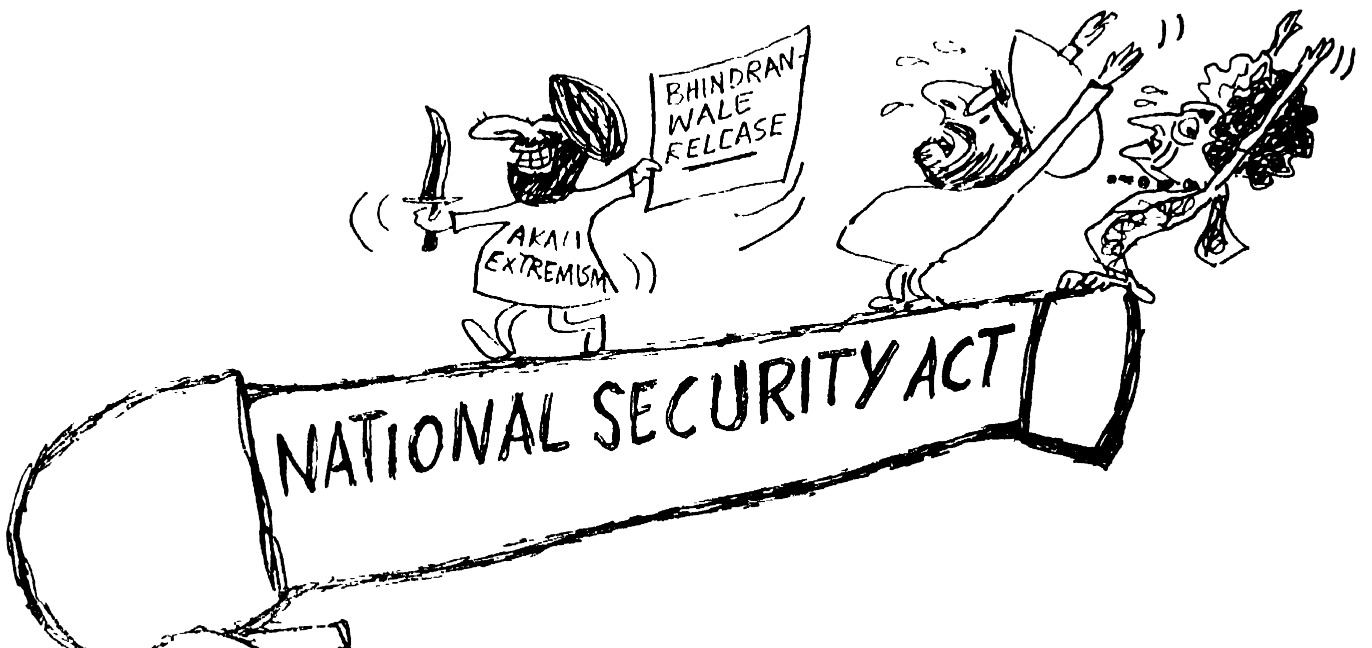
BHINDRANWALE RELEASE
AKALI EXTREMISM
NATIONAL SECURITY ACT

Spurt in Steel, But...

R.C. Ummat

EVEN THOUGH the output of saleable mild steel this year may scale a new peak and exceed the last year's production by over a million tonnes, it is not likely to make much dent on the steel import bill. Ironical this may appear for the general expectation is to the contrary. But a close scrutiny of the output trends discloses that one need not be surprised if imports are curtailed only marginally.

Maintaining the remarkable turnround in production since October last year, the five integrated plants of the Steel Authority of India have yielded during the first half of the current financial year (April-September) 2.609 million tonnes saleable steel. This is a record performance for the first six months of any financial year and represents an increase in output to as large an extent as 6.29 lakh tonnes (32.4 per cent) over the production during these six months last year.

Optimism Warranted

Consequently, if the production targets for the five SAIL plants at Bokaro, Bhilai, Rourkela, Durgapur and Burnpur have been scaled up from the original levels by 10 per cent, it was just warranted. The aggregate original targets of 5.7 million tonnes saleable steel, 7.2 million tonnes ingots and 1.4 million tonnes pig iron for sale were fixed on a conservative basis. The revised targets are 6.3 million tonnes saleable steel, 8.01 million tonnes ingots and 1.56 million tonnes pig iron for sale. They compare with 4.746 million tonnes saleable steel, 5.479 million tonnes ingot steel and 1.338 million tonnes pig iron for sale production last year. The output of ingot steel last year was kept low in view of the then power constraints and for obviating unduly large accumulation of inventories of ingots. The limited power available was utilised in the rolling sections.

This heartening improvement in production in the public sector obviously is the result of a good deal of easing of the infrastructure bottlenecks that afflicted the economy in the first half of the last year. It is, however, presumptuous to assume that there are no infrastructure constraints on the steel industry at present. A recent visit to Bokaro, Rourkela and Bhilai has revealed that some constraints still persist as a sequel to which it may not be possible to fully attain the revised targets for the year. Yet the SAIL plants should be able to yield at least six million tonnes saleable steel.

Saleable Steel

With the sixth integrated steel works in the private sector—that of Tatas at Jamshedpur—also expected to yield somewhat higher production than the last year's 1.537 million tonnes, and the mini steel plants producing 1.6 million tonnes, as against 1.55 million tonnes last year, the saleable steel output this year, indeed, should exceed nine million tonnes. Last year it aggregated to 7.833 million tonnes. If the revised targets for the SAIL plants are fully accomplished, the overall production, of course, should go up to 9.4 million tonnes.

Why then can't this year's steel import bill go down substantially ? On the basis of the original targets for the SAIL plants, this year's estimated requirements of around 10.52 million tonnes would have necessitated nearly 1.7 million tonnes imports. Besides, about 2.8 lakh tonnes pig iron for sale had to be imported for that was anticipated to be the gap between the demand and supplies from the domestic sources. The broad break-up of required imports (in million tonnes) was; structurals 0.63; plates 0.49; bars and rods 0.08; railway track materials 0.11; hot-rolled sheets/coils/skelp 0.16; cold-rolled sheets/coils 0.08; electrical steel sheets 0.04, and tinplate 0.07. Whereas the domestic production of galvanised sheets was expected to match the requirements, that of large pipes was anticipated to be marginally (0.03 million tonnes) more than demand.

The increase in production from the original estimates is not expected to make any significant dent on the imports of structurals and plates because of capacity constraints. The same is the case with such products as railway track materials, skelp and electrical steel sheets. The major increase in production has been in cold rolled products and bars and rods (in the rerollers sector). Imports of these will be curtailed. It may even be necessary to find export outlets for some cold-rolled products. With the production of pig iron for sale too trailing significantly behind the anticipated levels, a cut in its imports to below 1.6 lakh tonnes too appears to be highly improbable.

The situation, of course, shall improve materially in the coming two years when the expansion programmes of Bhilai and Bokaro to four million tonnes each from their 2.5 million tonnes current capacities are completed. Both these expansion programmes are well under way, though belatedly. The fourth blast furnace and the fifth coke oven battery at Bokaro have been commissioned recently. One more coke oven battery here will go on stream by the middle of next year. This will raise Bokaro's ingot-making capacity to 3.25 million tonnes. Another blast furnace will be added by March, 1983. The cold rolling mill complex will follow about six months later, completing the four million tonnes expansion programme of this steel works.

Bhilai Expansion

The expansion of Bhilai to four million tonnes is expected to be practically completed by October next year. The 95,000 tonnes capacity hot plate mill here will be ready soon for trials. Three LD converters are nearly ready but they can be used only when the continuous casting facilities up to the slabs and blooms stage are put up, for the first time in the country, by October next year. These facilities upto the blooms stage are expected to be ready by March. By then, the work on an additional coke oven battery and a new blast furnace will be well under way. Till the LD converters can be used, slabs from Bokaro are to be rolled out in the Bhilai hot strip mill.

Significantly enough, though the delays in the implementation of the expansion programmes of Bhilai and Bokaro have resulted in serious escalations of their costs—in the case of Bhilai from Rs 960 crores to Rs 1,459 crores (this estimate too may have to be scaled up further)—they have helped in bringing down the import content materially. Whereas only 60 per cent equipment, 94 per cent structurals and 61 per cent refractories were procured indigenously for Bokaro's first stage (1.7 million tonnes ingot steel capacity plus 0.8 million tonnes pig iron for sale), the corresponding figures for the expansion stage are 80 per cent, 100 per cent and 100 per cent, respectively. In the cold rolling mill complex, the import content is Rs 65 crores out of a total cost of Rs 265 crores. At Bhilai too, the import content of the expansion stage will not exceed 18 per cent. It pertains to the plate mill and the concast facilities. The completion schedules of the two expansion schemes have been upset by such factors as delays in the supply of equipments, non-sequential supply of equipment, inadequate resource deployment as well as poor progress of work by some major construction agencies, difficulties experienced in the receipt in time of construction materials, power stringency in the last two years, etc.

Infrastructure Constraints

Reference has been made above to the persistence of some infrastructure constraints for the steel industry even currently. The most important of these obviously is the railway transport. Although the streamlining of the movement of coal had resulted till lately in a significant improvement in coal stocks with the steel plants—by June-end, the stocks had gone up to 479,400 tonnes—there has been a slide back since then with the stocks at the six integrated steelwork getting dwindled to 343,000 tonnes by October 1. This stock holding is lower than even the level of 367,600 tonnes on April 1. Coking coal stocks with the SAIL plants are stated to have come down by one lakh tonnes to 327,000 tonnes during the three months September-end. Difficulties are also being experienced in regard to the supplies of other inputs such as limestone and dolomite. Bokaro's iron ore requirements too are to go up when all the four blast furnaces work simultaneously. Iron ore stocks there, therefore, have to be augmented fast.

The new pattern of railway movement of finished steel also is creating no small distortions in the availability of these products at the consuming ends. A fresh look at this movement is urgently called for. Though the anxiety of railways to boost their frieght earnings can well be appreciated, it does not mean that irrational movement should be persisted with. The Rourkela Steelworks, for instance, was holding towards the close of the last month approximately twice the normal stock of tinplates and galvanised sheets because of non-availability of wagons. Stocks of finished steel were also said to be piling up at Durgapur. The movement of finished steel cannot always be effected rake-loads.

Power Shortage

Power shortages as well are being experienced at Bhilai and Rourkela, affecting production. Interestingly enough, the original saleable steel production targets for the current year envisaged somewhat lower production than last year at Bhilai and just maintenance of last year's output at Burnpur. Except for Bokaro, where the output was to be raised to 1.6 million tonnes from just 0.844 million tonnes last year and 0.931 million tonnes in 1978-79 (the best yield till the last year), the targets for all the other plants compared unfavourably with the 1977-78 performance. Bhilai hnd yielded in that year 2.019 million tonnes saleable steel. The output at the Durgapur and Rourkela plants had been of around 0.901 million tonnes and 1.178 million tonnes. The Burnpur works had produced 0.542 million tonnes in 1976-77, its best year of performance. This year's original targets for these plants were (in million tonnes) Bhilai 1.750; Durgapur 0.780; Rourkela 1.080; Burnpur 0.520. Their last year's output (in million tonnes) was as follows : Bhilai 1.818; Durgapur 0.598; Rourkela 0.985; Burnpur 0.523.

Although the original targets for this year will be improved upon at all the above plants by varying degrees, a couple of them may not be able to repeat their hitherto best performance. This indicates that infrastructure facilities will have to be improved a great deal further. To augment power supplies for the steel sector, it is worth noting that captive generation capacity at the steel plants is being raised steadily.

Bright Outlook

In so far as the steel supplies from domestic sources during the current decade are concerned, the outlook has brightened as a result of the start of work on the Visakhapatnam plant and the arranging of collaboration for the Paradeep project. Both these projects are green field ones and will initially have 1.5 million tonnes ingots capacity each, to be doubled in the subsequent few years. The Vizag product is to go on stream upto 1.5 million tonnes capacity by 1985-86 and 3 million tonnes capacity two years later. The Paradeep plant's 1.5 million tonnes stage is programmed to be completed by 1986-87. Some additional capacity will also result from the modernisation of the Burnpur, Durgapur and Rourkela plants in the public sector and Jamshedpur works of TISCO. The Bokaro plant may be expanded to 4.75 million tonnes by 1987-88. The Bhilai steelwork may be yielding 4.5 million tonnes by then.

By the end of the current decade, the capacity of the integrated steelworks, thus, will be stepped up to over 22 million tonnes ingots. By the mid-eighties it will go up to 14.56 million tonnes from 11.4 million tonnes currently. In terms of saleable steel, their capacity in 1985-86 will be around 11.3 million tonnes and in 1989-90 over 18 million tonnes. The overall capacity, even with the persently licensed arc furnances will, therefore, be around 14 million tonnes seleable steel in the next 3½ years and about 21 million tonnes by the end of the decade. The demand is expected to grow to 12.7 million tonnes saleable steel by the mid-eighties and 18.9 million tonnes by 1989-90. This means that we should be nearly selfsufficient in mild steel from 1984-85 onwards.

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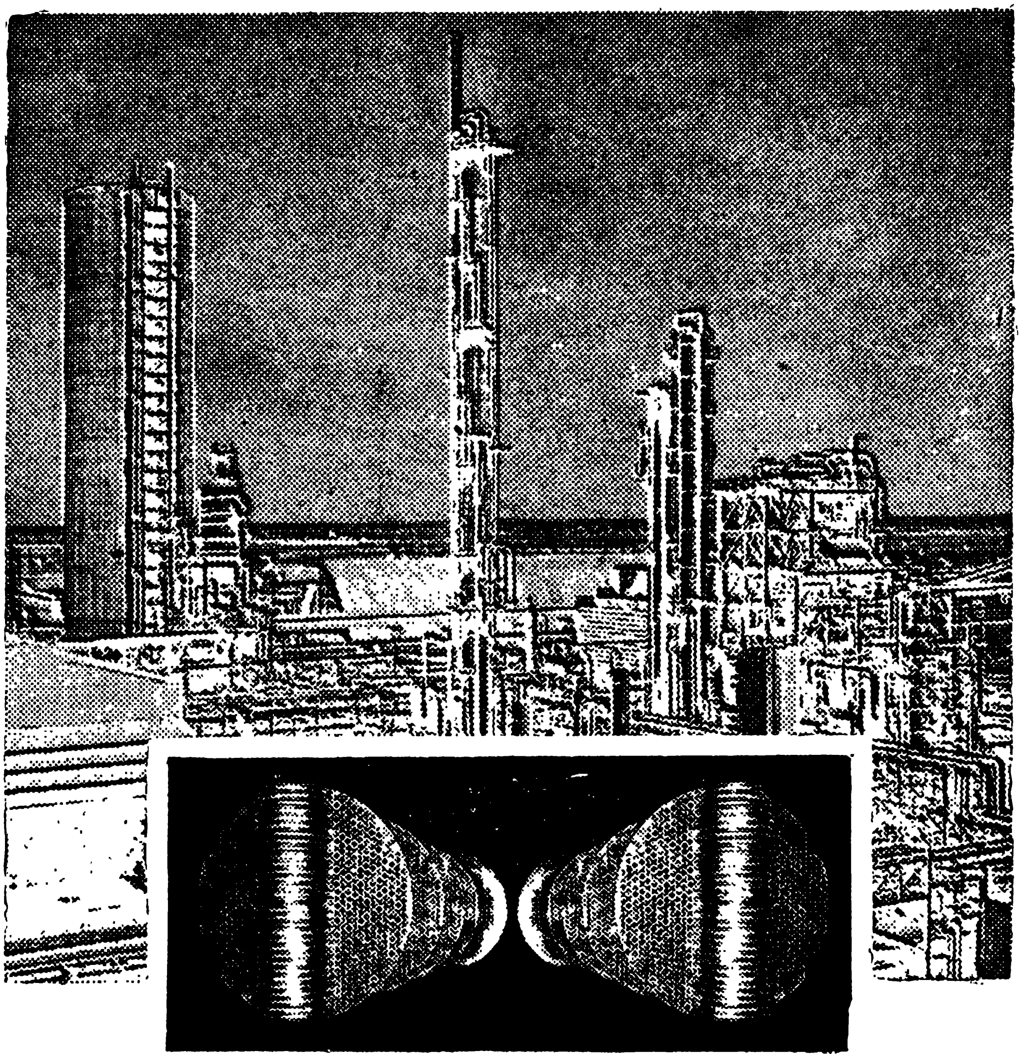

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Economic Analysis

Utilisation of Rice Milling By-products

B. K. Arora

RICE MILLING is one of the major agro-based industries in the country. During the process of conversion from paddy to rice, two main by-products i.e. husk and bran, are obtained. The potentially available quantities of these by-products are estimated to be 20 million and four million tonnes respectively. Through the scientific work carried out in the country and abroad, it is known that these by-products can be used for deriving heat energy, a variety of manufactured products and edible oil extraction, thus capable of giving additional income to millers, allowing optimum use of national resources and increasing employment opportunities in the country. Although the list of alternate uses available in literature is comprehensive, yet there is much left to be done to pick up a few items which can be actually put to use on a commercial scale.

In fact a stage has reached where proper sifting is necessary to identify the projects which can be given to entrepreneurs for setting up new plants. But the issue is not that simple and obvious problems are there which are coming in the way of large scale utilisation of these by-products. Some of these are:

Most of the rice mills in the country are small and scattered. Although no statistics of the quantity milled by these small mills is available, yet a crude estimate gives a figure of about 70 per cent paddy milled by them. These mills are located in rural areas which are not easily approachable. The collection of by-products from these mills is thus a big problem.

With the available technology for product manufacture from milling by-products of paddy, it is needed to collect these in large quantities at the factory premises before these can be put to commercial use. As the mills are located at different places, it involves transportation. With the escalating costs of diesel and other fuels, the transportation cost appears to be a major hindrance in using the by-products on a commercial scale.

Certain properties of husk such as bulk density, low pentosan content, high lignin and ash content etc. present problems in its collection and utilisation for products manufacture. Similarly development of rancidity in bran makes it uneconomical to process for edible oil extraction after a lapse of a particular time. Combustion difficulties for using husk for heat extraction is due to high silica content and its distribution in the hulls.

Slow pace of modernisation of rice milling industry has limited the by-products utilisation at a significant scale. A large number of units in the country are of huller type which do not give separate by-products. The product available from these machines is a mixture of fractions which are not easily separable. It is only the by-products from modern mills obtained as separate streams, which can be efficiently utilised for commercial exploitation,

A large amount of scientific effort has gone into developing technology during last one and a half decades for product manufacture from rice husk, combustion of rice husk and extraction of edible oil from rice bran. The type of technology that is available today suffers on two accounts: first, it requires large quantities of raw material for a commercially viable plant, second, it is highly capital oriented and requires large investments to set up a unit. In many cases the technology has not been perfected to a level where commercial applications could be made. Bottlenecks also exist in scaling up the technology from laboratory scale and manufacture of suitable machines/equipment for setting up a plant.

The scientific community normally limits its efforts in developing a technology which is technically the most commercially viable. Little attention is paid to social and cultural aspects of the technology which, in many cases, determines the acceptability of the technology. While building up a commercially viable project, it is very necessary to look into the present use of the by-products. Alternative materials must be provided before the by-product is diverted for a high value use through commercial processes. For example, the diversion of rice bran for oil extraction may create problems of finding suitable cattlefeed for local use. Unless means are found to meet the requirements, the rice bran may not be made available for better uses. Similarly if some cultural or religious faiths are involved in diverting the materials, these have to be properly considered.

Although a lot of work has been done

in the country on by-product utilisation from rice milling, the millers or the potential entrepreneurs are hardly aware of this. The flow of information is normally limited within the scientific community. There are no regular channels for dissemination of this information to the end users.

There are various agencies in the country working on product manufacture from milling by-products and other aspects related to the use of the by-products. Due to the multiplicity of agencies, it is very difficult to get the complete information from any single agency. One has to search for information to select a particular technology out of a set of technologies developed by various institutions. In the wake of incomplete and non-uniform information, it becomes difficult to make a judicious decision while selecting a process/technology.

For any technology to take off, it is necessary that expert project services are available. The project services on turn-key basis are not available which can be conveniently utilised by the entrepreneurs for using paddy husk on a commercial scale. The comprehensive package of services which include carrying out feasibility surveys, setting up plant, operating and handing over the plant, are necessary in case the potential for utilising husk is to be further exploited.

In spite of the fact that the technology for stabilising rice bran has been perfected and the prototypes have been fabricated by research institutions, the technology has not percolated to the mill level. Lack of stabilising facilities at the mill site has limited the use of rice bran for oil extraction for edible purposes. A meaningful effort in manufacture and marketing of rice bran stabiliser which can be used at the mill site, is still not available in the country.

In view of the above observations, it is very essential that a consistent and concerted effort is made by all concerned to improve the state of affairs. Some of the measures suggested are:

—Efforts should be made to evolve a technology which is suitable for adoption on a smaller scale. As the rice mills in India are small and scattered, the technology which requires small quantities of raw material has more chances of success.

—The modernisation of rice milling industry could provide a boom to the utilisation of by-products. The efforts on modernisation will pay dividend through increased income and better utilisation of by-products. As the process is interactive, it will suffice only to provide the initial momentum to the process of modernisation.

—It is to be doubly ensured that the technologies meant for transfer are viable in all respects. A wrong technology released to the industry may do more harm than good. It should also be seen that the diversion of raw material does not affect the local economy and interfere in any way with customary cultural and religious faiths of the people.

—The new technology should be properly demonstrated by setting up pilot plants by the research and extension agencies. This will help in developing conviction and confidence among the new entrepreneurs who has hardly any capacity to invest money for research purposes.

—The compilation and dissemination of the related information should be looked after by a single agency. This agency should continuously review the work being done by various agencies and identify gaps. The release of new technology and its periodic review for assessing the future needs should also be accomplished by this agency.

—Attention should be paid more to developing technologies which can help utilisation of the by-products at the mill-site or in the local cluster of mills. For example, development of a mini solvent extraction plant, mini cement plant, a small capacity bran stabliser could be steps in popularising technology at a local level.

—Development of project services for setting up paddy husk/rice bran based plants can prove to be a major step forward for setting up new units. Agencies engaged in relevant plant manufacture should be induced to undertake such survices These services are already available for setting up solvent extraction plants. On similar basis, project services should be developed for setting up plants manufacturing cement, particle-boards, sodium silicate, furfural, activated carbon, etc.

—As transportation cost is proving a major drag on development of industry based on paddy husk, all efforts should be made to develop methods by which bulk of husk could be reduced. However, the economy of such operation will have to be ascertained before it finds large scale applications.

-- The area of paddy husk utilisation is relatively new and economics are not quite well established. That is precisely the reason that entrepreneurs have hesitation in setting up plants which may risk investments. The risk bearing capacity of the entrepreneurs has, therefore, to be enhanced through Governmental insurance and guarantee schemes.

—Large quantities of husk are being used in the country for getting the heat energy. Unfortunately there is no standard equipment available which ensures a high enough combustion efficiency. Efforts are, therefore, needed to standardise combustion equipment both for domestic and industrial purposes which perform satisfactorily.

This paper was presented at the National Seminar on Utilisation of By-products from Rice Milling Industry, organised in September by the National Productivity Council, New Delhi, with which the author is associated.

In the Nation

Fresh Look at Oil Exploration

THE RESPONSE of foreign oil companies to the allowing of exploration by the Union Government in 35 blocks, both off-shore and on-shore, leaves much to be desired, even though production sharing had been agreed to in principle, the Ministry of Petroleum is thinking of bestowing a fresh look on the issue. Twentytwo companies originally showed interest in this exploration task, but not more than eight are now there in the field. They too are interested only in a couple of off-shore blocks. The negotiations with them are expected to be finalised by the middle of next month. Since no interest has been shown in most of the blocks, it is felt that they may have to be realigned and fresh bids invited for the realigned blocks.

Different Experience

An indication to the above effect was given by the Minister of Petroleum, Mr P.C. Sethi, at a press conference here last week. Mr Sethi expressed the view that India's experience in regard to exploration by foreign companies was not much different from that of most other developed or developing nations. Mr Sethi clarified that production sharing in the oil found by foreign explorers implied that till the country attained self-sufficiency in oil, the foreign explorers would not be allowed to lift oil. They shall be entitled to payment in lieu of their oil entitlement according to international prices.

Another important indication Mr Sethi provided related to the rationalisation of exploration work by the domestic exploring organisations, namely, the Oil and Natural Gas Commission and Oil India. Following the takeover of the Burmah Oil Company's 50 per cent share in Oil India and also its two wholly-owned subsidiaries, the Assam Oil Company and the Burmah Oil Company (India Trading) Limited, on a payment of Rs 21.56 crores, both the exploring agencies in the country are now wholly owned by the Central Government. A fresh look at their future operations is proposed to be taken soon not only in the interest of stepping up the oil exploration programme in general but also for completing this programme at the minimum costs.

Opinion seems to be growing in some circles that it should now be possible for each of the two organisations to concentrate on specified adjoining areas instead of proliferating their activities over distant places. Oil India's operations hitherto have been confined to small concessions in Upper Assam and Arunachal Pradesh, though it had been granted a licence a couple of years ago to explore in the Mahanadi off-shore as well as onshore areas and is also envisaged to extend its operations to some parts of Jaisalmer in Rajasthan. Oil exploration elsewhere in the country is being carried on by the Oil and Natural Gas Commission. The ONGC also has exploration concessions in Upper Assam adjacent to Oil India's concessions.

Government Control

As a sequel to the take-over of BOC's interest in Oil India, Assam Oil Company and the Burmah Oil Company (India Trading) Limited, the entire oil exploration, production and refining activity in the country has now come under the direct control of the Government. The exploration division of the Assam Oil Company has been merged with Oil India. Its refining as well as distribution operations are being vested in the Indian Oil Corporation. A distinctive character of Assam Oil Company's products, of course, is proposed to be maintained through marketing these products under the existing emblem.

Further testing of the first well drilled in B-57 structure, east of Bombay High, where oil was struck last month, has yielded interesting results. This well has been tested at five horizons of which four have yielded crude oil. The daily flow from the first horizon currently is 2,300 barrels, as against 1,300 barrels in the first instance through a half inch choke. The second, third and fifth horizons have yielded flows around 1,030, 1,050 and 739 barrels per day, respectively. The fourth horizon has not thrown up any hydro-carbons but only water. These flows are considered to be very significant.

Promising Structures

The Palk Straits well, where also oil was struck recently, is yielding at present 1,500 barrels a day through a half-inch choke. Both the B-57 and the Palk Straits structures are stated to be quite promising as the Bombay High oil wells too originally yielded about 1,500 barrels of crude a day. At least two more wells in each of these two areas will have to be drilled before their commercial viabilities can be established for drawing up plans for the exploitation of their potential. This task is proposed to be accorded high priority. No account has been taken of the yield from these discoveries in the currently reckoned 30 million tonnes annual production of crude oil from domestic sources by 1984-85.

Mr Sethi has clarified that the sixth well in Tripura has yielded only gas and not oil as had been reported earlier. The gas flow from this well ranges around 90,000 cubic metres per day which is quite significant. According to Russian experts, the Tripura area, of course, can be expected to yield oil as well. Another major discovery of gas in the recent past has been in the Andaman Islands. The exploration work in both Tripura and the Andaman areas too is being speeded up.

A special ship suited to the requirements of deep water drilling is expected to be acquired by December for exploration in the Godavari Basin. This exploration work is to be continued by the ONGC on its own though foreign consultancy services may be acquired for completing it. Exploration in the Godavari Basin will be resumed early next year on the acquisition of a special ship. Fresh seismic studies and surveys are being carried out by the Soviet experts in West Bengal where exploration efforts hitherto have not succeeded although it is considered a promising hydro-carbon-bearing region.

The crude oil import programme for the next year is not anticipated to pose any problem as the world oil situation has eased and adequate quantities of crude oil will be available from the traditional suppliers.

Overtime Over ?

ADDRESSING THE members of the Indian Bankers' Association in Calcutta on October 4, the Union Deputy Finance Minister, Mr Maganbhai Barot, said that payment of overtime allowance in banks would be stopped from the next year. Revealing that the banking sector was paying Rs 40 crores annually on this account, he remarked that while scores of young educated people were without jobs, it was unfair to pay overtime to those already employed. Mr Barot also stressed the need for enforcing discipline in the banking sector and assured the bank managements that the Government would fully support any move to curb inefficiency and defiance of rules.

But it was not clear from Mr Barot's speech whether he was only thinking aloud on this subject or whether he was actually communicating the Government's decision to stop the payment of overtime allowance. In the latter case, it seemed rather odd that the decision on such an important issue should have been announced casually by the Deputy Finance Minister in the course of a speech in Calcutta. Moreover, Mr Barot did not indicate whether the ban on overtime would become effective from the next calendar year or the financial year.

The reaction of the All-India Bank Employees' Association to Mr Barot's speech seemed to reveal that the Finance Ministry had not yet taken a final decision in this matter. The association said in a statement issued in Calcutta on October 5 that the bank managements themselves had been urging before successive tribunals to make overtime work a part of the service conditions for their employees. The statement pointed out that recently the Indian Banks Association had told the arbitration board that it did not want the abolition of overtime because occasionally such payment became unavoidable. It added that isolated cases of alleged abuse of overtime could be dealt with under the existing rules and that it was wrong to describe all overtime work as a premium on idleness.

It is significant that the All-India Bank Employees' Association did not dispute the figure of Rs 40 crores which Mr Barot mentioned as the annual overtime payment made by the banking sector. If the amount is really so large, can it be argued that overtime is paid only when it has become absolutely necessary due to sudden exigencies ? Does it not, on the other hand, suggest that banks have been far too generous in making this kind of payment because of their inability or reluctance to check it ?

R. J. Venkateswaran writes from Calcutta

It is, however, clear that attempts to abolish overtime or reduce it drastically cannot succeed without the active cooperation of bank employees. Moreover, how far will it be practicable to control this practice in the banks without enforcing a similar decision in the other undertakings of the Government of India and the State Governments ? It is well known that overtime payment has become a racket in many other public sector enterprises and Government departments, although it has not yet reached the level of the banking sector. In the Electricity Boards of many State Governments, disputes about overtime have been so frequent as to cause severe disruption of generation and distribution of power.

The problem of overtime cannot be tackled in isolation. There has to be a major change in the people's attitude to work and the Government's tolerance of indiscipline and inefficiency. Mr Charan Singh had pointed out while he was the Union Finance Minister that in India on an average, a Government employee worked only for 1839 hours in a year, compared to 2696 hours in Egypt, 2192 hours in the UK, 1984 hours in the USA and 2248 hours in the USSR. The availability of an abundance of Government holidays in India reveals a leisurely approach to work and the lack of appreciation of the value of time which in many countries is regarded as man's most precious possession.

Control on Constraints

THE DECISION of the Union Industry Ministry to set up a control room in Udyog Bhavan to deal with the constraints on production faced by selected industries can prove useful provided it is able to secure the prompt cooperation of the other Economic Ministries and the State Governments. The control room has been equipped with telex and telephone facilities to monitor the obstacles to production confronting 20 industries such as aluminium, caustic soda, paper, auto tyres and tubes, commercial vehicles, textile machinery, railway wagons, and so on. Mrs S.K. Pradhan, Director (Public Relations), DGTD, is in charge of the control room, which will look into complaints regarding the supply of raw materials, coal, power, and movement of inputs, and industrial relations.

But it is not clear what procedure the control room will follow in dealing with complaints of various kinds. Will it merely pass them on to the authorities concerned or will it take some other steps to ensure speedy and effective action ? The Ministry should clearly indicate how this arrangement will actually work so that it will help to create confidence in the industries concerned that they can look up to it for the redressal of their grievances.

It may be recalled that when Mr George Fernandes was the Minister of Industry, he had made attempts on somewhat similar lines to monitor the constraints on production. But his efforts did not succeed. At present, the Union Cabinet is functioning with greater competence and cohesion than its predecessor and therefore it should be able to insure that Udyog Bhavan acts promptly and effectively in removing the impediments to production. But even the present Government is not finding it easy to provide timely relief to industries whose production is affected by some constraint or the other.

How, for instance, will the control room deal with the complaints from the industries in West Bengal regarding the supply of power? The power situation in the State had "improved" in the first fortnight of October mainly because of the closure of offices and factories for the puja festival. But once again it has sharply deteriorated. On October 15, Calcutta had a shortfall in supply of 220 mw, while it was 124 mw in the districts. It is feared that in the coming months the availability of power will continue to be far short of the demand, leading to extensive and widespereead load-shedding as before. What can the control room do to deal with this problem? Will it forward the complaints to Mr Jyoti Basu or to Mr Ghani Khan Chowdhury? In either case, industries are unlikely to get any relief.

Passing the Blame

Often, the Government itself is not sure as to what exactly is the cause for the crisis facing an industry. For example, when industrial units are starved of coal, it is not clear whether this situation has been caused by the decline in its production or by the scarcity of wagons. There have been occasions in the past when the Union Ministries publicly blamed one another for creating in coal famine. A few days ago, it was reported that the coking coal stocks with the integrated steel plants under the Steel Authority of India had dropped to an alarmingly low level and that this was likely to result in a substantial cut in production. The non-availability of railway wagons was said to be the main reason for the sharp fall in the stocks of coal. But the railways have pointed out there is no shortage of wagons and the problem has been created by the delay in the arrival of imported coal. In the first six months of the current year, 800,000 tonnes of coking coal should have arrived in the ports but only 260,000 tonnes had been unloaded in this period. The steel plants were also blamed for causing delay in the release of wagons. How will the control room deal with situations of this kind?

The impediments to industrial production cannot be removed by setting up the control room but only by ensuring effective coordination at various levels of administration.

Indo-Ghana Talks

THE PRESIDENT of Ghana, Dr Hilla Limann, paid a visit to India recently. During his stay in Delhi the Ghana President visited the IARI and the Okhla Industrial Estate. He also went to Bhakra, Bangalore, Chandigarh and Bombay to see the various aspects of India's agricultural, industrial and scientific progress.

The Ghana President and the Indian Prime Minister held wide ranging discussions and reviewed bilateral relations. Both the countries pledged to work together in the spirit of the founding fathers of the non-aligned movement and in accordance with the decisions taken at the Non-aligned Foreign Ministers' Conference held in New Delhi in February earlier this year.

The two leaders also reviewed the situation in southern Africa and agreed that tension and confrontation in that region could not be ended until Nambia have been liberated from the illegal occupation by South Africa and until the structure of apartheid within South Africa itself was dismantled. They reaffirmed their support for the Namibian people's freedom and registered their disappointment that pre-implementation meeting in Ghana in January, 1981 had been aborted by the refusal of the South African Government to agree to a date for the implementation of the Security Council resolution 435.

They also reaffirmed the solidarity with the struggle led by SWAPO which is the sole legitimate and genuine representative of the Namibian people.

West Asian Situation

The President of Republic of Ghana and the Prime Minister of India noted with concern the situation in West Asia and agreed that it is a source of danger for the peace and stability of the region. They called for the immediate withdrawal by Israel from all Arab territories, including Jerusalem, occupied by it since June 1967. Both leaders agreed that no solution to this problem could be found without the full participation of the Palastine Liberation Organisation (PLO) as an equal partner in any negotiations.

The President of the Republic of Ghana and the Prime Minister of India reviewed the international economic situation and noted with concern the widening gap between the developed and the developing countries. They stressed the urgent need to bring about structural changes in the present inequitable international economic system with a view to securing the early and effective establishment of a new International Economic Order.

They also stressed the need for urgent measures to stabilise and improve commodity prices and effect a massive transfer of resources from the developed to the developing countries. They emphasised the need to counter the growing trend towards protectionism which makes it increasingly difficult for the developing countries to market their manufactured or semi-manufactured goods, thus frustrating even their limited ability to earn the much needed foreign exchange for their economic development.

The two countries signed the following agreements : (i) India-Ghana Trade Agreement; (ii) India-Ghana Economic, Scientific and Technical Cooperation Agreement; (iii) India-Ghana Cultural Agreement; (iv) Agreement for a Rs 50 million Government of India credit to Ghana for rural electrification and rural water supply; (v) Agreement for an IDBI credit of Rs 50 million for agriculture, irrigation and small-scale industries sectors.

Bearer Bonds Revived

THE SPECIAL bearer bonds scheme, which was suspended at the end of April following a challenge to it in the Supreme Court, has been revived: these bonds will be on sale again during December. The scheme had been challenged on the ground that it favoured the tax-dodgers and discriminated against the honest tax-payers. It was alleged that Special Bearer Bonds (Immunities and Exemption) Ordinance, 1981, under which the scheme was launched as well as the Parliament act which replaced this ordinance later were violative of the equality status ensured to all citizens of the Indian Union under Article 14 of the Constitution.

By an order on September 2, the Supreme Court's Constitution Bench had upheld the ordinance as well as the act replacing it by a four-to-one majority, but had reserved the reasons for doing so. On Tuesday, the Supreme Court gave the reasons and observed that the President had legislative powers under Article 123 of the Constitution to promulgate an ordinance and this legislative power was co-extensive with the power of Parliament to make laws. The Court felt that it was difficult to see how any limitation could be read into this legislative power of the President to make it ineffective to alter or amend tax laws. "If Parliament can, by enacting legislation, alter or amend tax laws, equally can the President do so by issuing an ordinance under Article 123".

Referring to the petitioners' argument that the act was violative of Article 14 of the Constitution, the Bench observed that this clause did not forbid reasonable classification of persons, objects and transactions by the legislature for the purpose of attaining specific ends. The classification, of course, must not be "arbitrary, artificial or evasive", but must be based on some real and substantial distinction bearing a just and reasonable relation to the object sought to be achieved by the legislation". The Bench further said that the validity of the classification had to be judged with reference to the object of the legislation. If this was done, there can be no doubt that the classification made by the act is rational and intelligible and the operation of the provisions of the act is rightly confined to persons in possession of black money.

The Bench, by the majority judgment rejected as "unsustained" the argument that the act was unconstitutional as it offended morality by according to dishonest assessees who had evaded tax payment, immunities and exemptions denied to honest tax-payers. It observed that the immunity granted in respect of subscription to or acquisition of special bearer bonds was a severely restricted one and this was the bare minimum necessity to induce holders of black money to bring it out in the open.

Optimistic Look

The revived scheme can, surely, be expected to net sizeable investments in the special bearer bonds as the bonds issued in March and April have been commanding three to five per cent premium. Government announcement to resume the sale of these bonds with effect from December 1 has led to evaporation of this premium.

Originally the Finance Minister had expected a yield of Rs 1,000 crores from the special bearer bonds—Rs 200 crores during March and the balance Rs 800 crores in April this year. The actual sales had been of the order of Rs 385.6 crores—Rs 88 crores in March and Rs 297.6 crores in April. Taking into consideration the yield of Rs 800 crores this year from this source, he had been able to restrict deficit financing in this year's budget to around Rs 1,539 crores.

With the suspension of the scheme, the envisaged deficit had grown corresponding to the shortfall in the expected receipts from the special bearer bonds. Although the budgetary deficit this year will be influenced by various other factors, particularly increased subsidies on foodgrains and exports, higher defence expenditure, escalation in Governmental expenditure in general because of inflation, substantial increase in dearness allowance payable to government employees, etc, yet the improved performance of the economy as well as the fresh receipts from special bearer bonds in December should be able to help contain the growing deficit not insignificantly.

As earlier, the special bearer bonds will be issued in December in the denomination of Rs 10,000 with no limit on investment in them. No application form will be necessary for their purchase. Subscriptions abroad will be received in foreign exchange at the prevailing conversion rates. The bonds will be repaid after 10 years of the date of sale, with a premium of Rs 2,000 for every bond. The repayment in all cases will be made in India in rupees. The premium paid on the bonds will be free from income-tax and the value of the bonds will be exempted from wealth tax. The transfer of bonds on resale will not attract liability towards capital gains tax. Transfer of the bonds by way of gift will be free from gift tax. The possessors of the bonds enjoy immunity from disclosing their sources of investments. Commercial banks have been authorised to grant advances within the framework of credit control against collateral security of the bonds.

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Chief Executive

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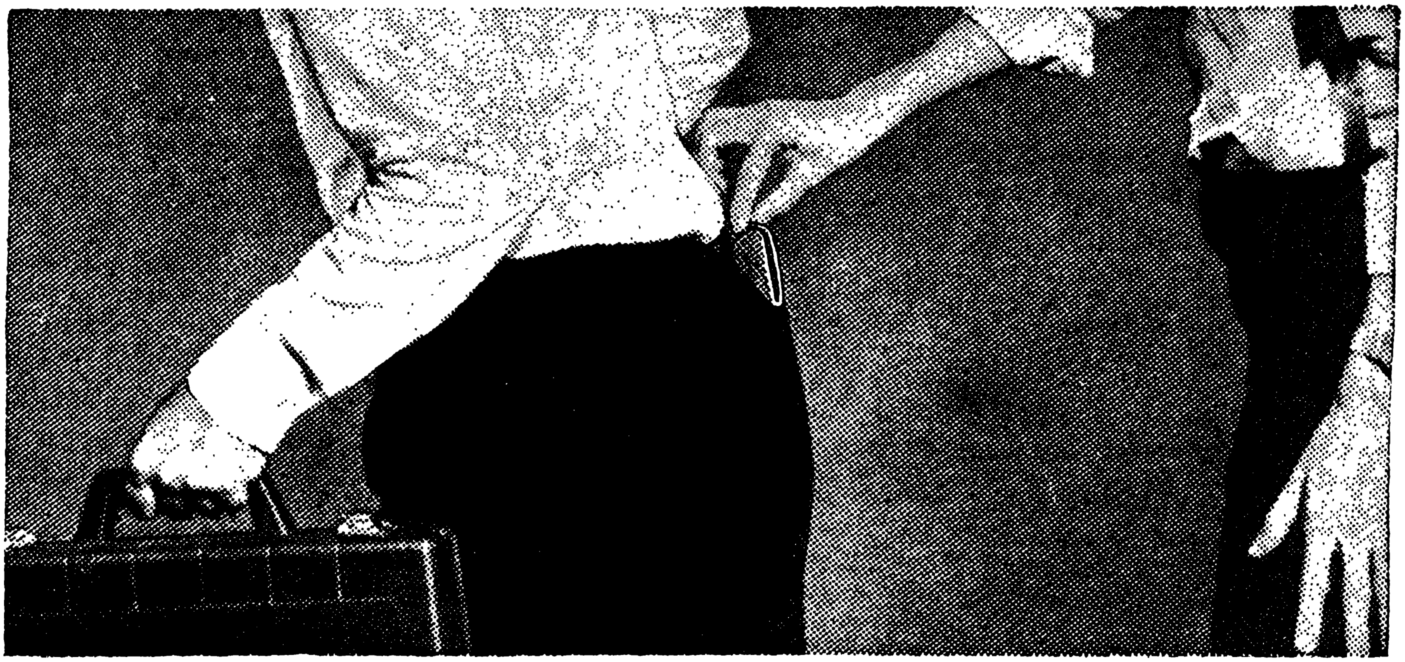

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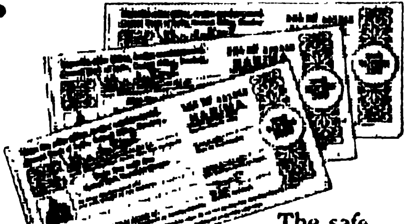

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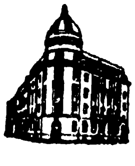

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Window on the World

The Gold Market Forecasts

GOLD PRICES appear to have firmed up in recent weeks after dipping below $400 an ounce in August, and traders are hopeful that the long bear market has finally run its course. Appearances, however, can be deceiving, and a further price plunge cannot be ruled out. To be sure, the fundamental balance between new supplies and expected demand suggests long-term strength in gold prices. However, the fundamentals can easily be swamped—as they have been throughout much of the past two years—by world economic and political developments.

Gold specialists generally agree that supplies of newly mined gold will remain tight over the next decade. Production in South Africa, which supplies about three-fourths of the gold mined in the non-Communist countries, peaked in 1970 at around 1,000 metric tons and has been sliding ever since. It fell to 675 tons last year from 703 tons in 1979, as mining companies turned increasingly to areas of lower-grade ore. Despite efforts to improve productivity and develop new technology, South African gold production is not likely to rise much above current levels during the 1980s, even if prices move substantially higher. And in the absence of major new discoveries, mine output in other parts of the world cannot pick up the slack.

Other traditional sources of new gold supplies to the private sector will also be limited in the near term. According to Consolidated Gold Fields Ltd. of Britain, net sales from Communist countries fell to 90 tons in 1980, the lowest level since 1971. Predictions for 1981 Soviet gold sales range from 80 to 130 tons, far below the average for the 1970s. Moreover, there has heen a sharp reversal in the trading patterns of Governments and central banks, which were large net suppliers of gold to private markets throughout most of the 1970s. Central banks, especially in the less-developed countries (LDCs), have become large purchasers of gold. Official institutions were net buyers of 230 tons in 1980 --a pattern that is likely to continue.

On the demand side, total fabrication from new gold supplies fell sharply in 1980 and has not picked up materially in 1981. The increase in private holdings of carat jewellery rose only by 120 tons last year—substantially below recent trends. Part of this fall-off can be attributed to one-shot "dishoarding" in the form of melted jewellery, especially in the LDCs, as prices soared to record highs. But long-term demand for fabricated gold for such applications as electronics and dentistry is also diminishing, as advances in technology permit substitution of lower-cost metals and reduction of gold content per unit.

Nevertheless overall demand is likely to strengthen. Speakers of the Amcon Group's 1981 gold seminar in late September said they expect the gold market to be buoyed in the 1980s by the re-entry of portfolio investors and large institutions, whose demand has been weak over the past two years. The massive dishoarding and inventory liquidation of 1980-81 appear to be over, and gold-price optimists are counting on a strong boost from US and Japanese investors, along with continuing heavy demand from LDC central banks. Political attention to a restoration of the gold standard should also help to strengthen prices. And of course,

Gold Flows

	Components of Supply (metric tons)				Components of Demand (metric tons)				
					Total fabrication				
	Non-Communist mine output	Net trade with Communist bloc	Net official sales (purchases)	Total	Carat jewellery	Official coins	Other	Net private bullion purchases (sales)	Total
1971	1,236	54	96	1,386	1,064	54	269	(1)	1,386
1972	1,182	213	(151)	1,244	999	63	282	(100)	1,244
1973	1,117	275	6	1,398	518	54	287	539	1,398
1974	1,006	220	20	1,246	225	287	223	511	1,246
1975	954	149	9	1,112	523	251	209	129	1,112
1976	970	412	58	1,440	935	182	266	57	1,440
1977	972	401	269	1,642	1,003	142	274	223	1,642
1978	979	410	362	1,751	1,007	288	301	155	1,751
1979	961	199	544	1,704	737	290	288	389	1,704
1980	943	90	(230)	803	120	234	167	282	803

Source : International Finance.

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FINANCIAL HIGHLIGHTS	1978	1979	1980
			Rs. in lacs
Gross Block	1242	1317	1466
Turnover	2166	3120	3578
Gross Profit	234	393	650
Profit Before Tax	145	300	573
Taxes	105	205	415
Profit after tax	40	95	158
Equity Capital	239	239	369
Reserves and Surplus	560	630	611*
Net Worth	799	869	970
PER EQUITY SHARE OF Rs. 100			
Earning	17	41	43*
Dividend	12	12	15*
Net Worth	334	363	270*

*After issue of 1:1 Bonus Share in 1977 and 1:2 in 1980

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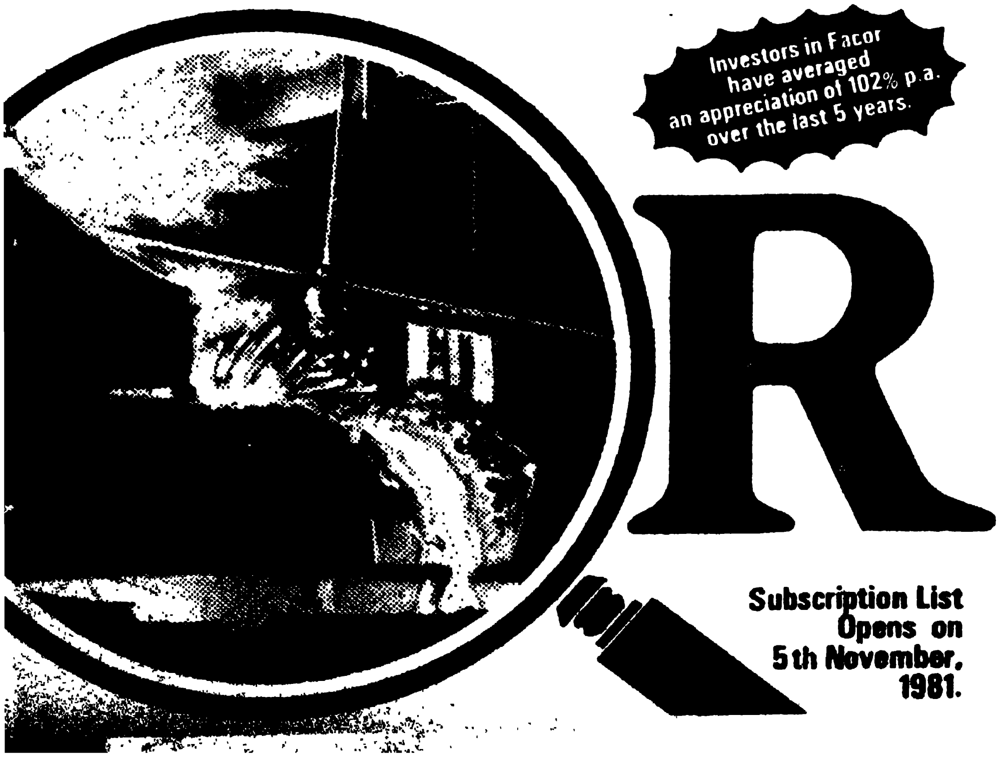

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another sharp upsurge of inflation or political instability could spark a massive reflow of investment funds back into gold.

The big imponderable in the gold equation, however, is the sizable overhang of "above-ground" gold stocks, estimated at about 90,000 tons, or almost a century's worth of Western gold production at current mining rates. About half of this overhang is thought to be in private hands, and much of it remains poised to flood the market and drive gold prices down if clear signs emerge that US anti-inflation efforts are succeeding and that the world political scene will remain reasonably stable.

Office-sharing for Worldwide Business

Executives from around the world seeking temporary or part-time business premises and services in London could find the answer through a scheme launched in the capital. Called the International Business Club (IBC), it offers members furnished offices with telephone, telex, reception, secretarial and other normal business services in a choice of three sites. Two are in London's West End and the third is in the city, there being a total of more than 70 individual offices and suites.

The advantage to international businessmen and women is the guarantee of full office accommodation and services and a prestige London address without the costs of year-round maintenance. All they pay is a membership fee and their share of the costs.

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Already businesses from a number of countries, including India, have joined. Their activities range from a chauffer service and music management to a golf magazine, international estate agents, fashion firms, a film animation company and a construction company.

OPEC to Agree?

SAUDI ARABIA is likely to achieve what seemed highly improbable till very recently. If the OPEC members agree on terms for a unfied price structure at a special meeting, OPEC may start functioning like a cartel once more.

For the last twelve months Saudi Arabia has brought about a glut of oil by supplying it at a price of $ 32 per barrel. This has forced other producers to cut their prices towards a $ 34 barrel base price. It is reported that now all OPEC members (except Venezuala and Ecuador) are agreeable to the Saudi Arabian offer to increase its price by $ 2 a barrel to $ 34.

Saudi Arabia has consistenly refused to raise its price beyond $ 34 a barrel or reduce it below $ 32. Simultaneously it had offered to cut its production from 10 million b/d if and when all OPEC members agreed to its price proposals. The Saudi offer was rejected at the last two OPEC meetings in May and August. In August, OPEC output reached new low of 21 million b/d, 23 per cent less than the level in the earliet year. This production figures was way below its capacity of producing 35 million b/d. It seems Saudi Arabia insisted that it would not attend another OPEC special meeting unless the others agreed to a price of $ 34 a barrel.

Even if Saudi Arabia were to reduce its output to as little as eight million b/d it may not lead to an automatic hardening in the oil market. The average price of oil might rise a little because the Saudi increase would outweigh price cuts by smaller producers but the chances are that the glut will remain. Some oil producers might even have to reduce their prices still further.

The biggest beneficiaries from all this would probable be the oil companies.

Canadian Economy Heading for Doldrums

FOLLOWING LAST winter and spring's interlude of relatively strong growth, the Canadian economy is now slowing in response to extremely high interest rates and the tightness of monetary policy. Even if, as expected, short-term interest rates decline moderately in coming quarters, economic growth will remain weak until early next summer. Thereafter the positive effects of lower interest rates and a strengthening United States economy should encourage the restoration of moderate economic growth.

Based on this profile, real GNP, after advancing an estimated 3.6 per cent this year, will rise by another two per cent in 1982. Unfortunately inflation will remain stubbornly high over the entire forecast period, aggravated by the implementation of long-delayed energy price adjustments. In combination with accelerating wage rates and other cost pressures and substantial food price hikes, this makes it probable that the consumer price index will advance 12.5 per cent in 1981 and about 12 per cent in 1982.

Inflation in Canada is the underlying factor behind the prolonged period of sustained high interest rate levels. The move to record highs in excess of 20 per cent, however, has been made necessary by the actions of the Federal Reserve Board in the United States. Its determined pursuit of reduced money supply growth has pushed up US short-term interest rates to extreme highs—and forced Canadian rates to move up correspondingly. While much lower inflation and declining real GNP in the United States are now fostering some downward adjustment in interest rates across North America, potentially inflationary US fiscal policies make it likely that a substantial drop in US interest rates will be strongly resisted. This suggests that short-term interest rates in Canada may remain above 15 per cent next year.

Canada's own inflation concerns do imply, however, that this autumn's Federal budget might adopt a tighter fiscal policy stance. A recent surge in tax revenues-promoted in part by strong economic growth, increased energy taxation and the temporary corporation tax surcharge-is already helping to pare several billion dollars off last year's $ 12.5 billion budgetary deficit. Additional tax increases on incomes could dampen economic prospects further by eroding this year's estimated 2.1 per cent real increase in personal after-tax incomes. In turn, corporation after-tax incomes, already off this year, will likely decline again in 1982. Such a set of fiscal policies, accompanied by continuing monetary restraint, makes it likely that virtually all major sectors of Canada's economy will advance more slowly in 1982.

Canadian Dollar

An expected pick-up in the US economy next year should help strengthen Canada's merchandise trade, restoring a near $ 8 billion surplus (after this year's estimated $ 5.9 billion surplus). But the impact on the Canadian economy will be offset by the burden of rapidly rising payments of interest. Next year should see Canada's international current account deficit unchanged from this year's $ 7.2 billion, and considerably worse than 1980's $1.9 billion deficit. The combination of a continuing large current account deficit and the consequent reliance on uncertain international capital flows as well as a Canadian inflation rate, much higher than in the United States, indicates continued weakness for the Canadian dollar. Assuming some slowing in outflows of long-term financial capital, the dollar could average between 82 to 85 US cents next year.

Business investment in plant and equipment appears to have concluded a three-year-long period of substantial growth. This year saw a period of record borrowing costs, waning demand, increased idle industrial capacity and a virtual plateau in profit levels, all pointing to softening in business investment. Despite these conditions, the volume of business investment has risen an estimated 7.5 per cent, but in 1982 investment levels will more closely reflect these realities and rise little more than two per cent in real terms. While the recent energy price accord reached between the Federal and Alberta Governments may reactivate some previously shelved energy investment projects, it will take a year or two for such spending to make a significant impact on overall business investment.

Real domestic product is forecast to rise by 2.5 per cent in 1982, down slightly from an estimated 2.9 per cent advance in 1981. This year's weakness in the mining sector has held down the advance in industrial production in 1981, but the latter is expected to grow by three per cent next year. In the service sector, output growth in 1982 is forecast to ease a little from this year's 2.5 per cent rise. Current slowing in economic growth will likely result in lower capacity utilisation rates until mid-1982.

No significant relief is in sight from the malaise in productivity. While output per person employed advanced last spring, the outlook remains bleak. Despite three years of vigorous growth in business investment, weakening economic conditions and substantial idle capacity suggest there will be no quarterly improvement in productivity until the latter half of 1982. On an annual basis, productivity will rise 0.5 per cent this year and decline by 0.1 per cent in 1982.

Banknote Dispenser

Sweden's State-owned PK Banken Bank, together with 11 commercial banks and the cooperative banks, is shortly to inaugurate a joint automatic bank-note dispenser system, Bankomat, which will allow cardholders to withdraw up to Kr. 2,000 ($350) *at any time of the day or night:.*

The Bankomat system—claimed to be unique—will utilize the public data network recently set into operation by the National Swedish Telecommunications Administration. This will place Bankomat automats in direct contact with all affiliated banks. The automats are extremely easy to use, it is stated, with a special display showing the customer how to complete a transaction in an average of 35 *seconds. Data on a withdrawal is checked and registered in a minicomputer and the remaining balance updated. The customer receives a slip giving details of the transaction. Blocked cards are "swallowed" by the automats*

The system began operating in October, with an initial 350 *automats in* 150 *locations all over Sweden. Computer power and records are located in five different spots, thereby reducing the system's vulnerability to a minimum. The new system will be immediately accessible to some two million bank customers, roughly half of whom are expected to take out a Bankomat card. Withdrawals are expected to average Kr.* 400-500 *three times a month with every other withdrawal occurring during banking hours. This will greatly relieve the work load on tellers, it is emphasised.*

Energy and Aid

BILATERAL FINANCIAL commitments by the DAC countries to the energy sector increased from $ 507 million in 1976 to $ 1.6 billion in 1979 and some $ 2 billion in 1980. In absolute terms, the main aid donors in 1977 to 1979 were Japan, West Germany, the United States, Canada and the United Kingdom, together accounting for 15 per cent of DAC countrie's bilateral official development assistance ODA to this sector.

In relative terms, for DAC members collectively, the share of export-credit-supported energy financing in total export-credit financing (14.6 per cent in 1979) is more than twice as large as the corresponding share in total ODA programmes (6.8 per cent).

A breakdown of DAC ODA commitments to the various energy sub-sectors shows that the main emphasis of bilateral ODA financing, $ 1.6 billion in 1979 (of which over one-third was in the form of grants), has been on conventional sources of energy—coal ($ 293 million) and power transmission and distribution ($ 507 million). New and renewable sources of energy other than hydro received only marginal support. However, because of deficiencies in statistical reporting, about one-fifth of total ODA commitments to the energy sector are not allocable to a particular sub-sector.

Over one-half of total bilateral DAC ODA commitments in recent years was for low-income countries (including the least developed countries) and the remainder mainly for middle-income countries; the relative importance of ODA commitments for energy development varied greatly for individual developing countries. The percentage of ODA commitment for energy in total ODA receipts ranged from 2 to 20 per cent. It was 7 per cent for the group of least developed countries, 8 per cent for the low income countries and 9 per cent for the middle income countries, taken as a group.

OECD Observer

Commitments for Energy Development by DAC Members and Multilateral Institutions

							Official Development Assistance (ODA)			
	$ Million			Per cent			$ Million		Per cent	
	1977	1978	1979	1978	1979	Average 1977-79	1978	1979	1978	1979
DAC Members	841	968	1,606	4.9	6.8	5.7	6,180	6,844	18.1	14.6
Australia	17	15	9	3.3	2.0	3.1	—	4	—	0.5
Austria	31	31	4	27.0	5.7	24.2	100	6	25.7	2.4
Belgium	—	—	—	—	—	—	6	6	—	0.8
Canada	70	104	169	9.2	25.0	12.6	667	658	41.0	—
Denmark	—	9	19	2.3	6.6	3.2	—	—	—	—
Finland	—	1	—	2.9	—	—	—	—	—	—
France	18	49	74	1.6	2.0	1.5	517	730	12.9	14.9
Germany, West	169	150	364	6.1	9.2	8.4	398	961	5.1	13.6
Italy	—	—	—	—	—	—	162	251	4.3	5.6
Japan	339	340	391	15.0	15.5	16.0	868	1,120	20.0	8.0
Netherlands	27	13	40	1.0	3.0	2.3	312	219	40.8	37.1
New Zealand	—	7	2	14.9	3.8	6.7	—	—	—	—
Norway	—	4	13	1.8	5.6	6.2	—	—	—	—
Sweden	19	7	13	1.3	1.7	2.0	43	5	12.7	2.1
Switzerland	—	14	6	12.7	3.4	4.8	389	312	25.1	41.8
United Kingdom	3	14	272	0.9	13.8	6.9	582	88	16.6	2.5
United States	104	196	220	4.1	4.2	3.6	2,096	2,358	40.0	30.7
EEC	44	14	10	1.3	0.6	1.9	41	126	24.0	22.1
Multilateral Institutions	249	405	661	9.8	16.1	11.8	1,509	2,011	17.5	21.6
World Band Group	183	248	506	8.7	18.9	12.5	916	1,148	14.0	16.5
Inter-American Development Bank	6	122	86	17.9	11.1	10.6	342	553	30.9	44.3
African Development Bank	6	—	15	—	6.6	3.8	37	45	17.9	16.4
Asian Development Bank	54	35	54	9.0	12.7	13.3	214	265	27.5	31.7
Overall Total	1,090	1,373	2,267	5.7	8.1	6.7	7,689	8,855	18.0	16.2

Point of View

A New Framework for Railway Infrastructure

S. S. Gauba

At present railway tariff is based on the total cost of operation which includes cost involved in maintenance of infrastructure in under-developed areas. The cost of such infrastructure, according to the author, should be borne by the general exchequer as the cost of socially imposed service. This would enable the railways to be run as a commercial organisation on competitive lines. This would also deprive the railways of the alibi often trotted out to explain away its operating losses and deterioration in financial health.

INDIA BEING a vast country, even today there are several areas which are bereft of transport and communications net-works. Backward areas are being opened up to modern civilisation by constructing roads linking remote villages with near-by towns and cities. But roads do not happen to provide the most economical transport net-work for movement of certain specified streams of traffic. For example the mineral resources like coal, iron ore, PCL and commodities like foodgrains, fertilizers and cement cannot be moved efficiently and economically on the roads. Other modes, especially railways, have to play a vital role in the movement of bulk commodities.

The construction and maintenance of roads is the responsibility of the Central and State Governments and they bear these costs from their revenue. The road users, namely bus and truck operators, others travelling by bullock-carts, cars, cycles and pedestrians do not bear the cost of construction and maintenance of the roads used by them.

Road Tax

Commercial users of these roads have, however, to pay road tax for movement of their vehicles on the national and State highways. These taxes are related to the movement of the vehicles and not to the investment made on the construction of roads or moneys spent on their maintenance from year to year. In short the operators of road transport are not burdened with the cost of construction and maintenance of the roads on which they operate and the taxes they pay are directly linked with the magnitude of their operations.

In other words the fixed costs for a road operator constitute a smaller fraction of the total cost of transport by him and bulk of his expenditure falls in the category of variable or semi-variable costs which fluctuate in consonance with the quantum of traffic handled by him.

Natural Outcome

In contrast Indian Railways are made responsible for meeting not only the cost of operation on the railway system but also the cost of maintaining the railway tracks on which the railways are run and other fixed assets. They have also to pay dividend on the capital invested in the construction of the railway system in India. The natural outcome of the extant position is that fixed costs which constitute a very significant proportion of the total costs of transportation on railways have to be incurred irrespective of the quantum of traffic handled on the railway system. Even if no train is run on a particular section during a given period, railways will have to incur the expenditure on fixed costs which roughly work out to 67.8 per cent of the total costs.

While it may be socially necessary to develop backward areas to bring about improvement in the living standards of the persons living in those areas and while it may be economically desirable to cater for the demands of industrial development of those areas which are rich in mineral and other resources it is a moot point for consideration as to whether railways which are required to run on sound commercial principles should be called upon to carry these social burdens which reflect upon their financial health and compel them to shield hidden subsidies in their tariff structure.

Socially Imposed Services

It is therefore that the Government should recognise that socially imposed services must be paid for by the country as a whole through general revenues of Central, State Governments and that it would be highly desirable to put Indian Railways on a fully competitive basis with other modes of transport in order to eliminate ill-informed criticism emanating from several quarters. When the operators of road transport do not have to meet the cost of construction and maintenance of the roads on which their trucks and buses run, Indian Railways should also be absolved of responsibility for shouldering the financial burden involved in construction of new railway lines and the expenditure incurred on repair and maintenance of the fixed assets which do not bear a direct correlation with the transport throughput of the railways.

If the above suggestion is implemented, the total expenditure incurred on Indian Railways would be divided into two parts, namely (i) expenditure incurred on construction and maintenance of fixed assets which the Government of India can treat as moneys spent for development of backward areas or to provide rail network for movement of passengers and essential commodities, and (ii) the expenditure incurred by the railways on purchase, repair and maintenance of rolling stock or the expenditure involved in the operation of goods and passenger trains.

The first category of expendituae should be borne be the general exchequer on the same lines as the expenditure involved in construction and maintenance of roads. The railways should be called upon to pay a charge on per ntkm and passenger km basis to the general revenues for using the fixed assets created and maintained by the Government. Since this charge would be directly correlated with the traffic handled by the railways, it would constitute an element of variable cost along with the cost of running and maintaining the railway trains. To this we can add a reasonable cost of supervision and a margin to cover the cost of depreciation of the rolling stock and other plant and machinery to arrive at a reasonable tariff to be charged from railway users.

Most Economical Mode

It is a well-known fact that for movement of bulk commodities over distances exceeding 500 kms the rail transport is the best and most economical mode of transportation. Similarly for certain other commodities and shorter distance slabs, road transport happens to have an edge over the rail transport. It is always possible to achieve rail-road coordination in such a way that scheduled bus/truck services act as feeder to the railways by moving passenger, goods from originating place/consignor's premises to the nearest convenient rail head and again from the destination rail head to the consignee's premises or terminating point of the passenger's journey. At present these feeder services are being run in an haphazard fashion without any proper over all co-ordination. In certain areas road services are run parallel to the rail services even though it would be much better to retain only one of the two services which happens to be faster and more economical.

We might be running round services on routes where it would be more economical and better to move the goods and passengers by trains. This coordination could equally apply to intra-urban services in metropolitan cities like Bombay, Delhi, Calcutta, Madras, inter-city services to be run between important cities of India or to cross-country services to be run from one end of the country to another. There are definite advantages in favour of railways in respect of certain specified streams of traffic and similarly there are specific advantages in favour of road service in respect of certain other streams of traffic. By closing down a large number of small wayside railway stations, we can transfer short distance passenger traffic and goods traffic in smalls to the road transport and at the same time improve the railways operations by increasing the number of unit trains and block loads.

Goods Freight

It is necessary that freight charges for movement of certain essential commodities of mass consumption are not kept at unduly high levels because this will indirectly affect the prices of such commodities and also others in which these are used as raw materials inputs. At present the railway tariff is based on the total cost of operation on all India basis which would also include cost involved in maintenance of infrastructure and other fixed assets in newly developed/under developed areas and dividend payable on such investment. Once the cost involved on such infrastructere is segregated and borne by the general exchequer as the cost of socially imposed services, framework of railway tariff can be restructured and given a new orientation by lowering the tariff for essential commodities which in turn will help in industrial and agricultural development of the country.

Railway management will also be relieved of responsibility for shouldering such social burdens which ordinarily are not carried by the commercial transport operators. They can also generate internal resources to meet the cost of development of the railway system in the various Five Year Plans.

At present the pace of development and growth of Indian Railways is getting badly stifled because of paucity of funds available with the Planning Commission. Urgent development and replacement works have to be either postponed or slowed down which is neither in the interest of the Indian Railways nor in the interest of industrial/economic-development of the country as a whole.

A Prerequisite

An efficient system of transportation is a prerequisite for development of industry and trade and if there are any bottlenecks on the Indian Railways and the capacity available is not adequate to move the essential traffic from one part of the country to another, it is bound to adversely affect our industrial and economic growth. In fact it is bad economy to impose constraints on optimum development of the rail network to meet essential requirements of industry and trade.

The capacity generation on Indian Railway has to move slightly ahead of capacity generation in the various industries and prospective increase in the production of agricultural commodities. Essential commodities like coal, steel and cement which are basic to industrial development of any country have to move fast and in the required quantities on rails to keep the various factories and power houses working according to their optimum capacity. Any delay or bottlenecks in the movement of these essential commodities will only slow down the process of development and eradication of poverty in this country.

The basic premise of the proposed framework is that social obligations of Central and State Governments in regard to development of backward areas and provision of national transport infrastructure need not be passed on to Indian Railways which should run like a well-oriented commercial organisation on fully competitive basis with other modes of transport. It is further hoped that this step, alone will go a long way in eliminating ill-informed criticism of Indian Railways, both in the press and elsewhere, and at the same time remove the alibi, sometimes put forth by railway administrations, to explain the operating losses aad deteriorating financial health of the organisation. It is also expected to result in rationalisation of railway fare and freight structure by scientifically determining a cost based tariff directly linked with expenditure incurred on operation of trains as distinct from expenditure involved in construction and maintenance of fixed assets of the railways. This in turn will help generation of requisite internal resources to meet the developmental and replacement needs of the railways which at present remain unfulfilled due to paucity of funds with the Planning Commission. To sum up, a healthy growth of rail transport capacity will provide the impetus so essential for an accelerated industrial and economic development of India.

Pepper Outlook Not Promising

Dr Badar Alam Iqbal

India has the lowest productivity of all the producing countries of black pepper. Adequate attention has not been paid to the improved methods of production. Over 75 per cent of the area under the cultivation of black pepper is with small and marginal farmers There is a rising demand of pepper in the world markets and the price also is ruling high. In spite of this the farmer does not get remunerative prices and is forced to reduce area under pepper cultivation. The author who is associated with the Faculty of Commerce, Aligarh Muslim University, suggests that the Indian Spices Development Council should devise means by which productivity could be increased and the farmer gets a remunerative price.

RENOWNED AS the 'King of Spices', black pepper is grown in India, Sri Lanka, Mexico and Brazil. India accounts for nearly 28 per cent of the global output of pepper and nearly 70 per cent of the same is exported. Some time back, India held the top place in the production and export of black pepper. With the emergence of other rivals, India's share has declined considerably.

Indian pepper is of the best quality in the world. The demand for it has been increasing considerably in all the consuming countries. After meeting the domestic requirements, substantial quantities are exported. Black pepper is the largest foreign exchange earner among all spices and accounts for more than 26 per cent of the total export earnings from all spices.

The chief pepper growing States in India are Kerala, Karnataka and Tamil Nadu. Kerala is the largest producer, with more than 96 per cent of the total output of the country, followed by Karnataka and Tamil Nadu. Table I shows State-wise area and production of black pepper in India during 1978-79.

Table II indicates the trends in area, production and productivity of black pepper in India between 1950-51 and 1978-79.

It reveals that the area under black pepper cultivation had gone up between 1950-51 and 1978-79 by 40 per cent and the output by 23 per cent. Thus, the increase in acreage had been much larger than the rise in production. Consequently, productivity per hectare had gone down to 233 kgs in 1978-79 from 262 kgs in 1950-51—a decline of 11 per cent.

The most disconcerting fact, however, is that the yield per hectare in India is the lowest in the world. It is also evident from Table II that the area under pepper cultivation has shown considerable variations in the last two decades and productivity by and large has remained stagnant in the recent years. The main reason for this is the inadequate developmental attention paid to this commodity and the majority of small farmers are unable to adopt improved techniques of production. It is worth noting that in our country more than 75 per cent of the total area under pepper cultivation is held by small and marginal farmers having holdings of less than two hectares. Keeping in view the anticipated growth of 3 to 10 per cent in demand in importing countries, it is essential that pepper output is stepped up if India wants to remain as the leading exporter of pepper in the world as well as to regain the lost ground.

TABLE I

State-wise Area and Production of Black Pepper in 1978-79

State	Area ('000 Hectares)	% to Total	Production('000 tonnes)	% to Total
Kerala	108.3	96.7	25.1	86.1
Karnataka	3.4	3.0	0.9	3.4
Tamil Nadu	0.3	0.3	0.1	0.5
All-India	112.0	100.0	26.1	100.0

Source : Directorate of Spices Development, Calicut.

TABLE II

Area, Production and Productivity of Pepper in India- 1950-79

Year	Area ('000 Hectares)	Production ('000 Tonnes)	Productivity Per Hectare in kgs.
1950-51	80.0	21.0	262
1955-56	89.0	29.0	314
1960-61	102.7	28.3	275
1965-66	102.4	23.3	227
1970-71	119.9	26.2	218
1975-76	121.0	28.2	228
1978-79	112.0	26.1	233
% increase or decrease over 1950-51	40.0	23.0	--11.0

Source : Same as Table I.

India has been the traditional home of black pepper and a major exporter of this spices. Since 1957-58, there had been an upward trend in pepper exports on account of the rise in world consumption and competitive buying by consuming countries. There had also been a sharp increase in the unit-value realisation in recent years. But in 1979-80, there has been a setback both to the unit-value realisation and exchange earnings. Table III indicates the trends in India's peppet exports between 1957-58 and 1979-80.

It is seen from Table III that the quantity exported went up from 13,400 tonnes in 1957-58 to 24,500 tonnes in 1977-78, whereas the value earned from the exports of pepper during this period increased from Rs 3.1 crores to Rs 49 crores. This means that the rate of increase of export earnings had been very much higher than the rate of increase in quantity exported. This was due to higher unit-value realisation. This trend got reversed after 1977-78.

TABLE III

Pepper Exports from India 1957-58 to 1979-80

Year	Quantity ('000 tonnes)	Value Earned (Rs crores)
1957-58	13.4	3.1
1960-61	18.6	10.1
1965 66	25.7	16.8
1970-71	22.2	16.4
1971-72	19.2	14 8
1974-75	26.8	34.7
1976-77	24.5	38.2
1977-78	24.5	49.5
1979-80	21.5	33.5

Source : Same as Table I.

TABLE IV

Comparative Share of Pepper in Total Exports of Spices from India : 1957-58 to 1979-80

(Rs crores)

Year	Total Exports of Spices	Exports Earnings from Pepper
1957-58	10.0	3.1
1960-61	16.6	10.1
1965-66	62.0	16.8
1970-71	38.8	16.4
1974-75	62.6	34.7
1976-77	75.9	38.2
1977-78	141.8	49.5
1979-80	136.0	33.5

Source : Same a Table I.

Exports of pepper have been further analysed in terms of its share in the total export earnings from all spices. Table IV shows the percentage share of pepper exports in India's total export earnings from all spices between 1957-58 and 1979-80.

Export Earnings

Data set out in Table IV indicate that export earnings from all spices have gone up between 1957-58 and 1979-80 by more than 1260 per cent i.e. from Rs 10 crores to Rs 136 crores, while the earnings from pepper exports showed a rise of 1033 per cent i.e. from Rs 3 crores to Rs 34 crores. This means that the rate of increase in the total export earnings is higher than the rate of increase in the export earnings from pepper. Similarly, the share of black pepper in the total export earnings from all spices has declined by 5 per cent, i.e. from 31.1 per cent to 26.1 per cent. This is all because of higher growth in the export earnings in case of other spices such as cardamom as against export earnings from black pepper.

Now we shall make an analysis of the share of pepper in India's total export earnings. Table V shows the relative share of pepper in India's total export earnings from 1957-58 to 1979-80.

Statistics given in Table V show that India's total export earnings went up from Rs 586.3 crores in 1957-58 to Rs 6100 crores in 1979-80, whereas the earnings from pepper exports increased from Rs 3.1 crores to Rs 33.5 crores. This means that the rate of increase in the total export earnings from all commodities is slightly less than the rate of rise in the value earned from pepper exports. Hence the share of black pepper in India's total export earnings has gone up marginally.

It is interesting to note here that when we make a comparative analysis of Table IV and Table V, we find that the rate of rise in the export earnings from pepper was less than the rate of rise in the export earnings from all spices. Here the trend is reverse, i.e. the rate of increase in the export earnings from pepper is higher than the rate of increase in India's total export earnings.

Indian black pepper is exported to a large number of countries, the major importers being the USA, the USSR, Italy, Canada, Yugoslavia, Poland, etc. Exports to the USA, which accounts for a major share in India's exports of black pepper, has declined considerably in the recent years. The USSR, on the other hand, has become the most important distination for Indian black pepper and its share has been on the increase. Poland, Yugoslavia and Czechoslovakia have also shown an upward trend. Exports to Canada and Italy have declined. The main problem which requires immediate attention is that the quantity exported to these countries is not steady. There must be stability in the regular supplies and the output should be stepped up, primarily through increase in productivity.

TABLE V

Value of Black Pepper Exports from India in Total Exports 1957-58 to 1979-80

(Rs crores)

Year	Total Export Earnings	Value of Pepper
1957-58	568.3	3.1
1960-61	642 3	10.1
1965-66	803.0	16.8
1969-70	1413.3	16 1
1970-71	1535.0	16.4
1972-73	1607.0	14.8
1974-75	3304.0	34.7
1976-77	5146.0	38.2
1977-78	5374.0	49.5
1979-80	6100.0	33.5

Source : Same as Table I

Indian black pepper export after 1977-78 has been affected not only by the increased exports of the earlier leading exporter and the emergence of new nations in this field of export but also and to a greater extent by the stagnation in Indian production. The rate of growth in Indian production between 1950-51 and 1978-79 was nearly one per cent per annum. Productivity, although it reached an all-time high of 314 kgs. per hectare in 1955-56, remained at a very much lower level in the sixties and had been only around 233 kgs in 1978-79 which certainly was significantly lower than that of the other leading producers in the world. In spite of the decreasing trend in the output and yield per hectare, no serious efforts have been made by the Central as well as the respective State Governments to step up the output of black pepper.

The cultivators in the leading producing States of the country are not getting remunerative returns from their produce. So, they have started giving up the idea of growing black pepper. The Central as well as the State Governments should pay attention to this and should fix a support price for pepper as has been done in the case of several other agricultural commodities. There must be a Board of Spices whose work would be to encourage the cultivators, on the one hand to step up their output and on the other hand to help them get the support price for their produce.

Sharp Fluctuations

There have been sharp fluctuations in the unit-valuo realisation of black pepper in the world market. This phenomenon also requires immediate attention. Efforts should be made to stabilize the unit-value realisation. Attempts must be made atleast by the major exporting countries such as India, Indonesia and Malaysia, which account for more than 80 per cent of the total pepper export of the world to come to an agreement for prices as well as supply. The need of the hour is to take to buffer stocking of black pepper. If the unit-value realisation at least in the USA market, which is considered to be the main arbiter of the world prices, could be kept stable, it would have a good effect on the production and exports of leading exporters of the world. The Pepper Community with India, Indonesia and Malaysia as members, which was established in 1976 at Jakarta, has been helping the growers of the producing countries to have remunerative return of their production.

India, which is one of the leading exporters of black pepper, should stabilise the supplies to traditional buyers, on the one hand and should explore new markets on the other, so that it would be able to have a remunerative or reasonable return. Recently some West Asian countries like Egypt, Syria, Iran and Iraq and some countries of Europe such as West Germany, have shown interest in buying Indian black pepper. It is a welcome development and there are possibilities of larger exports to these countries. The rising demand from the USSR and other communist countries has proved to be a significant development in the past few years.

Forward trading in black pepper was started at Cochin in January 1957. The Indian Pepper and Spices Trade Association, Cochin (IPSTA) is the recognised as well as the apex body for forward trading in black pepper. On the recommendations of Forward Markets Commission (FMC), a second forward market for the pepper was also granted at Bombay on a trial basis for one year. But the idea of this forward market had to be given up because of the objection of the Kerala Government. Now India is making concerted efforts at improving its position in the world market through a well-planned programme of exports, better production, more and better crop reporting and research and development plans.

In order to avert the exploitation of growers and to provide them better marketing facilities as well as reasonable return on their produce, several markets have been regulated under the Agricultural Produce Market Act (APMA). Till recently 470 markets had been regulated in different States of the country. Since pepper offers good scope for marketing on cooperative lines, the National Cooperative Development Corporation (NCDC) should provide financial assistance in the form of managerial subsidy in collaboration with respective State Government.

The Central Government has established an apex body known as Indian Spices Development Council (ISDC). This apex body has representation on it for Government officials and non-officials consisting of growers and traders. The main objective of this council is to review the performance and working of different developmental schemes which are in progress and recommend further development programmes. The research work on pepper is being carried out at the Central Plantation Crops Institute (CPCI) at Kasargod. A lot needs to be done. These bodies should energetically pursue the goal of raising productivity as well as production of pepper in the country.

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STATE OF THE ECONOMY

Coal Improvement

A MULTI-PRONGED strategy has been launched by the Coal Department to improve the quality of coal. The action plan includes removal of extraneous material such as stone and shale in coal, reduction in the ash content and supply of correctly sized and screened coal to the consumers. One of the measures being taken is the installation of coal handling plants with facilities to crush and screen coal to the required sizes. Nearly 100 plants are being constructed and the number of coal handling plants will substantially increase from the present level of 124 to 221. A system of joint inspection and sampling of coal by producers and consumers is another important step in this direction. The output of coal went up by 10 million tonnes last year to 114 million tonnes. It is expected to go up by another 10 million tonnes this year to 124 million tonnes.

Frozen Fish Exports

A sales-cum-study team sponsored by the Marine Products Export Development Authority (MPEDA), which visited Malaysia recently, explored possibilities of exporting Indian marine products to that country. The sales team in its report has, inter-alia, observed that the lean season for fishery in Malaysia is between October and February. As this is the time when good catches are normally available in parts of India, it would be worthwhile to make use of this period and concentrate on the country's export of frozen fish items to Malaysia. Products like white and black pomfrets, sear fish, mackerel, squids, shrimps and rock cod have good demand and fetch high prices in the Malaysian market. Hong Kong and Singapore are also excellent markets for these frozen items.

LIC Business

LIC Chairman, Mr J.R. Joshi, has said that the outlook for the current year is bright as the business in the first six months totalled Rs 1,154 crore in spite of the long strike in April-May as against Rs 1,146 crore for the corresponding period of previous year. The business in September amounted to Rs 336 crore (Rs 275 crore). Business in villages accounted for 25 per cent of the total.

Explaining LIC's performance in the year ended March 31, 1981, Mr Joshi has stated that despite various handicaps created by unabating inflation and agitating employees, LIC booked business of Rs 8,791 crore during the year ended March 31 last against the previous year's Rs 8,086.39 lakh.

The Chairman said that his organisation has been able to contain expenditure by keeping the staff strength under a strict check. The individual insurance policies (2.28 crore) for a total cover of Rs 21,057 crore and group insurance policies cover 66,44,590 lives for Rs 6,960.32 crore.

Despite inflationary pressures, the overall expense ratio and the renewal expense ratio have registered downward trend to stand at 24.24 per cent (24.52 per cent) and 12.62 per cent (13.62 per cent) respectively. The gross yield on the mean life fund is now 8.21 per cent (7.89 per cent) and the net yield is 7.69 per cent (7.44 per cent).

The corporation has settled claims worth Rs 295.50 crore, both death and maturity, under 7.34 lakh policies during the year. During the last year, the corporation has repudiated 625 claims for a total of Rs 60 crore and 130 claim cases are in courts. The corporation has nearly 70,000 death claims every year.

The corporation has invested Rs 741.52 crore (Rs 472.79 crore) in the socially purposive sector covering areas like housing, power generation, water supply, industrialisation, State road transport—and this is 48.22 per cent of the total investment. This takes the total investment in this sector from Rs 2,427.96 crore to Rs 3,151.11 crore. The total investment of the corporation has increased from Rs 5,747.51 crore to Rs 6,534,32 crore.

Of the total investment and loans outstanding on March 31 last 78.2 per cent were in the public sector, 11 per cent in the cooperative sector and 10.8 per cent in the private sector, including the joint sector.

Rupee-Pound Exchange Rate

The Reserve Bank of India revised its parity against the pound sterling, the intervention currency, and refixed the spot rate at £5.7937 corresponding to Rs 17.26 per sterling (buying) and £5.7670 corresponding to Rs 17.34 per sterling (selling) by a devaluation of 2.02 per cent. The spot buying and selling rates are so fixed as to give a middle rate of Rs 17.30 per pound sterling compared with earlier middle rate of Rs 16.95.

Credit for ICICI

The World Bank has approved a line of credit of US $150 million to the Industrial Credit and Investment Corporation of India Limited (ICICI). This loan, the fourteenth in the series, is the largest loan sanctioned to ICICI and to any other industrial development finance company assisted by the World Bank. The World Bank line, alongwith other foreign currency funds for which ICICI is presently completing arrangements, would help it to cover its foreign currency resource requirements for the next two years. With the new loan of US $150 million, total assistance provided to ICICI by the World Bank amounts to US $765 million (Rs 695 crores equivalent). The World Bank loan to ICICI would be guarenteed by the Government of India. While ICICI would pay interest at 10.6 per cent per annum, ICICI's repayments would be made over a period of 15 years, including a grace period of three years.

ICICI would utilise the Bank funds and its other rupee/foreign currency resources for assisting high priority industrial projects comprising infrastructure, export-oriented/import substituting industries as also for investments in modernisation and technological upgradation of industries. So far, ICICI has sanctioned total assistance of Rs 1762 crores consisting of rupee assistance of Rs 938 crores and the balance Rs 824 crores in foreign currencies. Out of the total foreign currency assistance sanctioned by ICICI, Rs 651 crores have been provided out of World Bank funds.

Soviet Assistance for Oil Industry

Mr D. Takoyav, Deputy Minister of Oil Industry of the Soviet Union, who visited this country recently as the head of an eight-member delegation, said that he would discuss with Indian oil experts several aspects of the industry, including the identification of new oil and gas fields and stimulation of sick oil wells.

Mr Takoyav, who was recieved by Mr L. Kumar, Secretary, Ministry of Petroleum and Chemicals and Col. S.P. Wahi, Chairman of ONGC, said that the USSR would be ready to provide expertise and know-how to raise the quantum of oil and gas production in India.

Mr Takoyav expressed satisfaction at the appreciable increase in India's oil output over the years and stressed the need for its further increase to meet the growing domestic demand.

During its stay, the Soviet delegation, together with Indian officials, reviewed the progress of the on-going Soviet-aided projects in the oil industry. The Indian side during the discussions, stressed the need for the repair and stimulation of sick oil wells in Gujarat.

Indian side seriously consider as to how best it could acquire the Soviet know-how in oil technology, particularly for the on-shore exploration of oil. The Indian side also discussed the prospects of export to the USSR of oil-drilling rigs manufactured in the BHEL unit, Hyderabad.

In all, 265 wells were identified as sick in Gujarat. Some of these are being reactivised with Soviet assistance.

Under an agreement reached between India and the Soviet Union in December last, the Soviet side would help reactivise the wells in selected on-shore areas.

A ten-year plan will also be drawn in collaboration with the Soviet Union for identifying exploration of oil and natural gas resources.

According to last year's estimate, 514 wells remained idle for technical and geological reasons. Of this 422 belong to ONGC and 92 to Oil India Limited. The break up is: Ankleshwar 101, Ahmedabad 152, Mehsana 63, Cambay nine, and eastern region 97 (all of ONGC) and Assam 92 of the Oil India.

Modulus Fibre Unit

Modis have been cleared by the Government of India to set up a plant in Maharashtra to manufacture 30,000 tonnes per annum of high wet Modulus Fibre in collaboration with UK based multinational Courtaulds Ltd. This grade of cellulosic fibre is not so far been manufactured in India. Also, Maharashtra Government has permitted Modis to take up extensive commercial forestation in Konkan in this connection.

India-Philippines Economic Ties

A three-point action plan was finalised at high-level discussions between India and Philippines, recently when Mrs Indira Gandhi visited that country, marking a breakthrough in the economic relations between the two countries. Under this plan, Philippines would supply India coconut oil and phosphatic fertiliser in exchange for railway equipment and textiles--both goods and machinery.

India would also collaborate in joint ventures to increase cashew plantations in this country with specific buyback arrangements. Land and climate favour these plantations in Philippines and India. Facing uncertainty about cashewnut supplies from Tanzania, these two countries would greatly benefit from this arrangement.

A third area of immediate cooperation envisages the supply of copper by Philippines to India, the latter giving pellets and iron ore.

This plan was finalised at a 90-minute meeting between the two delegations at which Philippines President Marcos and Prime Minister Indira Gandhi were present. Mrs Gandhi is understood to have directed the Indian officials later that the plan should be put through as a matter of high priority.

At the delegation-level talks, the Philippine President thanked India for the assistance offered for developing copper concentrates.

He described it as a good example of cooperation between developing countries. Mr Marcos said bilateral cooperation would prove to be more beneficial to his country, since India had the capacity to help in various fields.

Mr Marcos expressed special interest in the "operation-flood" scheme in India and said that he would depute a Deputy Minister to study the operation of this programme in India.

The Prime Minister at the outset referred to the important role Philippines had to play in view of its size and strategic location in ensuring peace in this volatile South-East Asian region. The peace of the world may depend on the happenings in the region, she remarked.

Tyre Curing Press for Thailand

The first tyre curing press exported from India is successfully operating in Bangkok. The press as also two post-cure inflators were manufactured by L&T-McNeil Limited, a subsidiary of Larsen & Toubro Limited. These are used by the importer, Thai Bridgestone Co Limited, for the manufacture of nylon truck tyres. The Thai order was booked against heavy odds as the competition was with a Japanese firm and both the customer and consultant were also Japanese. Besides, all the existing presses in the Thai Bridgestone factory had been supplied by the Japanese manufacturer. The L&T-McNeil press has been supplied with some special features on the control system so that it works in line with the other presses already installed in the factory.

Public Sector Bank Economists' Meet

The fifth public sector bank economists' conference convened under the auspices of the Canara Bank was inaugurated by Dr K.S. Krishnaswamy, former Deputy Governor, Reserve Bank of India at Hotel Ashok, Bangalore recently. Two issues of crucial importance to the banking industry in the Eighties viz, (i) Structural adequacy of the banking system to meet the challenges of the Eighties, and (ii) Banks and rural development--some crucial issues, were chosen for discussion at the conference; the key paper ont he former was presented by Dr A.C. Parikh, Deputy General Manager, Planning and Development, United Commercial Bank, Calcutta, and that on the latter by Dr N.K. Thingalaya, Assistant General Manager, Economic Research and Planning, Syndicate Bank, Manipal. Besides the economists from the public sector banks, the conference was attended by the Chairman and other senior executives of some of the major banks in the country.

Mr K.S. Rao, General Manager, Canara Bank, while welcoming the participants and invitees to the conference, drew their attention that bank economists over the past few years made considerable impact on the formulation and evaluation of bank policies and operations by their professional touch and expertise; he also expressed confidence that there would be a happy blend of theory and practice, and useful ideas would emerge at the end of the conference.

New Horizons

He made a reference to the blazing of a new trail by banks during the Seventies under deposit mobilisation, credit dispensation to the needy sectors and branch expansion in unbanked / underbanked areas. He was of the opinion that in the decade to follow pressures on the banking system would increase further with the increasing tempo of economic activities and associated complexities. The issue before the conference, therefore, was; how best could the banking structure adapt to a situation when the nation's economy was affected by a huge gap in the balance of payments position, diminishing foreign exchange reserves, continuing inflationary conditions, and increasing sickness in industry. In his opinion, the task before the commercial banks was, perhaps, not one of procuring and pumping in adequate finance, but one of servicing of credit of a high magnitude to millions of small borrowers.

In his inaugural address Dr Krishnaswamy, assessed the world economic developments and the domestic economic scene as background for the discussion at the two business sessions of the conference. He emphasised the need for combining the scientific approach of economists with the practical wisdom of bankers to evolve solutions to enhance banks' contribution to national welfare. He also underlined the importance of engineering all developmental programmes in the context of high energy prices, uncertain supplies from agriculture, world inflation and capricious flows of international capital, particularly for a country of India's size.

Indian Airlines: More Seats and New Links

Indian Airlines has provided 3200 additional seats per week on high density trunk routes in its winter schedule which came into force from October 15. A new link is a Boeing 737 service between Bombay and Colombo non-stop twice a week on Tuesday and Thursdays covering the distance in two hours and 15 minutes. In this new schedule the airline has also programmed to introduce jet services by Boeing 737 progressively through Gwalior, Jodhpur, Jammu, Vadodara and Indore. Operation of a Boeing 737 linking Jammu and Srinagar replacing the present HS-748 services has been programmed soon after the Jammu airfield is ready for Boeing 737 operations.

Gwalior will be linked with Delhi and Bhopal by Boeing 737 flights three days on Tuesdays, Thursdays and Saturdays in this new schedule. The airline will also provide two Boeing 737 flights a week linking Delhi with Chandigarh and Srinagar on Wednesdays and Fridays in addition to the regular non-stop Airbus flights between Delhi and Srinagar. Nagpur will be linked with Delhi and Hyderabad four days a week by Boeing 737 flights and with Delhi and Madras once a week, thus providing five-day link between Nagpur and Delhi except on Thursdays and Saturdays.

Between Delhi and Bombay there will now be 27 Airbus flights a week with four Airbus flights operating in one direction, two in the morning and two in the evening. Between Delhi and Bangalore while the airline will operate a Boeing 737 non-stop in the evenings on four days of the week, the remaing three days an Airbus will link Delhi with Bangalore via Hyderabad on Tuesdays, Thursdays and Saturdays. Between Bombay and Bangalore the airline will increase the capacity by two Airbus flights a week operating fourteen flights in one direction, one in the morning and the other in the evening.

Award for BHEL

The Central Foundry Forge Plant (CFFP) of the Bharat Heavy Electricals Ltd at Ranipur near Hardwar has been selected for the National Award (Bronze Shield) for import substitution for developing highly sophisticated and intricate castings for 210 MW steam-turbines. These castings were being hitherto imported from the USSR and Poland. The indigenous development and manufacture of these castings at CFFP, Hardwar will help save considerable foreign exchange. These castings have met stringent quality requirements and have been developed with entirely indigenous technology.

Fluidised Bed Combustion Boiler

BHEL is the first in India to develop, manufacture and commercialise the fluidised bed combustion boiler, the harvest of its coal based research, conducted at its own inhouse R&D at Tiruchirapalli.

The fruits of their R&D efforts proved a grand success, when the first fluidised combustion boiler manufactured by BHEL, was lighted up at Tiruchi Distilleries and Chemicals Limited, Tiruchi on September 30, 1981. This 12 T/hr, 15 kg/Dm^2, 250°C FB boiler was lighted up by Mr V.T. Somasundaram, Executive Director, TDCL and Mr M.K. Sridhar, Executive Director, BHEL, Tiruchi.

The fluidised bed combustion boiler is a versatile equipment to burn all grades of coal and the heat transfer rates at the bed is high. Further, ash let out is less corrossive and the rate of emission of gaseous pollutants is very low. In addition, there are other advantages like compactness, economy in operation etc. With the commissioning of this first fluidised bed combustion boiler, BHEL has entered into a new era of commercialisation of fluidised bed combustion boilers to meet varied industrial and power needs of the country. Thus, BHEL is one of the first few top ranking organisations in the world to make success of fluidised bed combustion technology.

RITES, IRCON Fair Well

Rail India Technical & Economic Services Limited (RITES) and Indian Railway Construction Company Limited (IRCON), under the aegis of the Ministry of Railways, have fared well during 1980-81 both in terms of profits and turnover. Addressing their annual general meetings recently, the Chairman, Mr P. N. Kaul indicated that there was a big potential for development of business and running the railway transport network and in the field of construction particularly in the Middle-East and African countries. RITES and IRCON now looked forward to new areas in that part of the world for a wide range of activities under the global assignments.

RITES achieved a turnover of Rs 106 million in 1980-81 as compared to Rs 87 million during the previous year, earning a net foreign exchange of Rs 22.7 million, besides repatriation of about Rs 20 million by the experts. The net profit of the company also increased from 24 million to Rs 27 million.

At present, over 700 experts are helping the railways systems of developing countries in providing management, rehabilitation, maintenance, supervision and reactivation support to them. The new countries on the map of RITES' overseas operations are Jordan, Mozambique, Zambia, Malaysia and Tanzania besides Nigeria, Iraq, Ghana, Philippines where the contracts are already in hand. Agreement with the National Railway of Zimbabwe for providing assistance in strengthening, maintenance and operation of its system in the form of supervisory and technical support, involving secondment of over two hundred technical personnel, needs special mention. RITES have repeated a dividend of 25 per cent for the year.

IRCON has secured the prestigious contract in Iraq, of the value of Rs 2240 million, for the construction of a new railway line. The Chairman indicated that the company was hopeful of bagging more high value contracts in other countries. IRCON will largely concentrate its effort now on participation in major railway construction projects, planned in the developing countries in the Middle-East, Africa and Southeast Asia. The work-load of the company has increased to Rs 693 million in 1980-81 from Rs 342 million in 1979-81 while its turnover has increased to Rs 95 million from Rs 50 million in the previous year. The net profit increased to Rs 4.5 million compared to Rs 1.5 million in the previous year. This has enabled the company to declare a dividend of 10 per cent on its paid-up share capital.

Employment in Khadi and Village Industries

During 1979-80, 27.33 lakh persons were employed by various units working under the Khadi and Village Industries Commission in different States. Khadi and Village Industries Commission implements its programmes through 25 State Khadi and Village Industries Boards, about 800 institutions registered under Societies Registration Act and nearly 28,000 cooperative societies and a few departmental centres. Government's allocation for Khadi and Village Industries during the Sixth Plan is Rs 480 crores. Besides, about Rs 700 crores are likely to be available from other agencies and programmes.

COMPANY AFFAIRS

Chowgule Steamship to Enter Capital Market

CHOWGULE STEAMSHIP will enter the capital market in November with an offer of 23.35 lakh equity shares of Rs 10 each for cash at par. Out of the proposed issue 10.85 lakh shares will be reserved for preferential allotment to the existing shareholders (other than Chowgules and their associates) in proportion of two new shares for every seven shares held, and the remaining 12.50 lakh shares will be offered to the public.

The issue is being made in pursuance of the MRTP directive to bring down the Chowgule Group's holding in the company. The proceeds of the issue will be utilised for the purpose of the company's business.

The company is going ahead with a major expansion programme of more than doubling its tonnage in the next four to five years. It has already acquired a bulk carrier of 35,000 DWT from Japan and has entered into an agreement with the Cochin Shipyard for the construction of three Panamax-type bulk carriers of 75,000 DWT each. These are expected to be delivered in 1983, 1984 and 1985 respectively. Further, the company proposes to acquire two bulk carriers of 35,000 DWT each and four mini-bulk carriers of 4,000 DWT each. Thus the company's fleet is expected to expand by over 100 per cent to 580,000 DWT by the end of the Sixth Plan from 270,000 DWT at present.

The company's expansion programme is in line with the Government policy. Besides, being a member of the Chowgule Group, the company is assured of the cargo of iron ore and pellets exported by the group. Moreover, the group is setting up a cement clinker unit at Jafrabad and Ratnagiri. The company will also be able to deploy some of its vessels gainfully in the movement of coal and clinker from these units. The company, therefore, expects a steady growth in its business in the coming years.

Clarion Agreement with McCann-Erickson

Clarion Advertising, India's second largest advertising agency, has entered into a five-year agreement with McCann-Erickson for professional and technical exchange. MaCann-Erickson Worldwide is the largest international advertising agency. Mr Barry Day, Vice Chairman of MaCann-Erickson Worldwide, and Mr S. Sen Gupta, Vice Chairman, Clarion Advertising, signed the agreement in Bombay on October 12, 1981. Mr Barry Day is currently visiting India to make a presentation on worldwide creative trends in advertising as part of this programme of professional exchange.

Clarion has just completed its Silver Jubilee Year (March 1981) with record sales of Rs 10.38 crores, which represents and 24 per cent growth over the previous year. In the two years preceding, the growth rate was seven per cent and five per cent respectively.

The agreement with McCann will enable Clarion to draw upon the former's worldwide experience in the marketing and advertising of different products and services. Clarion expect that this would be of special value for its clients who are involved in tourism, banking, developmental communications and export advertising. McCann's considerable knowledge and experience with colour TV is another resource which Clarion plans to draw upon in view of the expected opening of a colour TV channel in India.

It may be recalled that Clarion had earlier entered into a 10-year collaboration agreement with McCann-Erickson which was approved by the Government of India. Both parties mutually decided to end the formal participation in equity in 1974, following official directives that public sector advertising could only be handled by wholly Indian owned agencies.

The present agreement does not involve participation in equity and Clarion continues to be a wholly Indian owned and Indian managed company.

It is also learnt that Clarion is about to engage in diversification projects, some of which are expected to go on stream in 1982-83. Among them are projects to generate foreign exchange, and new business ventures by way of vertical integration The company expects to raise additional capital in the near future to finance these projects.

Elecon Engineering

Elecon Engineering Company Limited will be implementing modernisation and expansion schemes costing Rs 18.50 crores, the modernisation programme involving an outlay of Rs 8.50 crores and the expansion plans Rs 10 crores. The company is seeking to raise Rs 5.50 crores through the issue of 550,000 convertible bonds of Rs 100 each on a right basis to the existing shareholders and for public subscription.

These bonds will carry interest at 13.5 per cent taxable and will be eligible for an additional one per cent taxable when the equity dividend exceeds 18 per cent taxable. The distribution for 1980 was 20 per cent taxable. The existing shareholders will be entitled to be allotted one bond for every 10 shares of Rs 10 each and 243,000 bonds will be reserved for this purpose. The employees, directors and others can take up 27,500 bonds and the balance will be offered for public subscription.

Jyoti to Issue Convertible Debentures

Jyoti Limited of Baroda is soon coming out with a public issue of 200,000 13.5 per cent convertible secured debentures of Rs 100 each at par in one year from allotment. Twentyfive per cent of the debentures will be converted into two equity shares of Rs 10 each at a premium of Rs 2.50 per share. The market price of the shares is presently quoted around Rs 22.50. Debentures will be automatically convertible.

Though each debenture will carry a minimum of 13.50 per cent interest to be paid half yearly, for 1981 the interest would be computed at 14.50 per cent. This is because of a provisio that if the company declared a dividend exceeding 14 per cent for any year, the interest for that year on the debenture would be 14.50 per cent. As the company has already declared a 15 per cent dividend on its equity the interest on debentures for 1980 will be higher at 14.50 per cent.

Debenture holders will be entitled to proportionable bonus equity shares if issued prior to conversion. The debentures, which are fully secured, will be listed on the Ahmedabad and Bombay Stock Exchanges and will be redeemable the end of 8th, 9th and 10th year in equal instalments.

Jyoti Limited, manufactures hydraulics, electricals, electronics, laser, agricultural, and solar energy equipment.

The proposed debenture issue is intended mainly for a sophisticated foundry complex, the company is setting up at Kalol in the Panchamahals district in collaboration with the world renowned VEW of Austria.

The foundry project is scheduled to go into production in March 1982. It will increase Jyoti's capabilities in sophisticated fields and lead to an increase in production.

Indian Rayon

The foreign participants in equity capital of Indian Rayon Limited, Vokia Holdings Inc. of US are disinvesting their holdings of 116,000 equity shares of Rs 10 each at Rs 40 per share. According to the stipulation of Reserve Bank of India the existing shareholders and employees will be entitled to receive not more than 25 equity shares each.

The letter of offer has already been sent to the shareholders. The company is busily engaged in implementation of expansion and modernisation programme. A new cement plant with a capacity of 540,000 tonnes will be eracted in Karnataka and is scheduled to be completed within 20 months from the date of receipt of import licence. Financial arrangements are being finalised fort his project.

Ambalal Sarabhai's Surprise Gesture

Ambalal Sarabhai Enterprises Limited has welcome news to the shareholders. The working results for the year ended June 30, 1981 have been quite encouraging and it has been possible for the Directors to capitalise a portion of reserves and issue bonus shares in the ratio of one share for every five equity shares, subject to various formalities. This announcement has come as a welcome surpirse in stock market circles as it was not generally expected in earlier months that there would be a scrip issue so soon after it became a public limited company and issued new equity shares at par for public subscription in March last year.

An equity dividend of 12 per cent gross, is to be paid out of earnings for 1980-81 and it has been indicated by the Executive Chairman of the company Mr K.J. Divatia that 48 per cent of this distribution will not be subject to deduction of tax at source. The turnover has risen to Rs 190 crores from Rs 181 crores for 1979-80 on an adjusted basis. The operating results for the previous year related to 15 months in respect of one company in the group. The gross profit before depreciation and interest changes amounted to Rs 18.26 crores against Rs 22 crores

Interest charges were higher at Rs 10.97 crores (Rs 8.46 crores) while the amount set aside for depreciation is Rs 3.85 crores (Rs 3.78 crores) and investment allowance Rs 68 lakhs (Rs 35 lakhs). The disposable profits are considerably higher than 1979-80 as the liability for taxation is only Rs 40 lakhs (Rs 635 lakhs).

The transfer to general reserve is Rs 10 lakhs. The dividend will absorb Rs 107.19 lakhs (nil). The amount carried forward is quite sizeable at Rs 6.10 crores; as the appropriations have been completed after transferring Rs 1.13 crores (Rs 68 lakhs) from capital reserve being excess provision for depreciation no longer required. The expansion schemes are making satisfactory progress.

Ruston & Hornsby's Larger Dividend Quantum

Ruston and Hornsby (India) Limited increased its turnover during the year ended May 31, 1981 to Rs 20.75 crores from Rs 16.74 crores in 1979-80 but the net profit before depreciation and taxation, has

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declined to Rs 136.13 lakhs from Rs 151.63 lakhs because of higher interest charge and working expenses. The disposable profits, however, are larger as there is no liability for taxation against Rs 57 lakhs formerly.

The amount set aside for depreciation is Rs 45.51 lakhs (Rs 20.60 lakhs) and investment allowance Rs 49 lakhs (Rs 12.10 lakhs). The transfer to general reserve is Rs 52 lakhs (Rs 35 lakhs). The dividend on equity capital has been maintained at 10 per cent taxable as the newly issued shares are ranking for dividend on the present occasion. The amount required is much higher at Rs 20.21 lakhs (Rs 13.41 lakhs). The surplus carried forward is lower at Rs 83,000 against Rs 20.96 lakhs brought in.

Ennore Foundry

Ennore Foundries Limited has announced an interim dividend of nine per cent on equity capital for the year ending December 1981. This is the first time the company has come out with an interim dividend after its public issue in 1977. Sales in the first eight months were higher at Rs 13.85 crore against Rs 10.30 crore in the corresponding period of 1980. The pre-tax profit rose by 11 per cent. The profit before interest, depreciation and tax and the profit before tax for the first eight months was Rs 2.66 crore and Rs 1.92 crore respectively compared to Rs 2.05 crore and Rs 1.73 crore previously.

The company has embarked on a Rs 11-crore plan to modernise the cylinder blocks line.

Standard Motor

After clearing the preference dividend arrears, the Board of Standard Motor Products Ltd, has proposed a dividend of 10 per cent on equity shares for the year ended June 30, 1981. Thus, the company is returning to the dividend list after a lapse of several years.

The company has reported a higher net profit of Rs 1.56 crore for 1980-81 against Rs 69.09 lakh in the preceding year. The preference dividend, inclusive of the arrears, absorbs Rs 41.64 lakh and the equity dividend Rs 9.16 lakh.

Gujarat Aromatics Skips

The turnover of Gujarat Aromatics Ltd, for the year ended June 30, 1981 has amounted to Rs 1.81 crore. The Directors propose to skip the dividend as the company has incurred a loss of Rs 80.19 lakh before providing for depreciation. After providing Rs 78.05 lakh for depreciation, the loss is higher at Rs 1.58 crore.

AVO Cables

AVO Cables, a new company, expects to commence production of special cables at its plant near Mysore by the end of 1981. The company proposes to manufacture coaxial cables, TVRS cables, PTFE insulated equipment wires and a variety of other cables.

Escorts

On October 16, the 50,000th Ford tractor rolled off the assembly lines of Escorts Tractors Limited at a function attended by all the workers of the plant and the senior officials from Ford Tractor Operations, USA. This achievement was particularly noteworthy because the Ford plant was one of the most recent among 11 tractor manufacturers currently operating in the country, having started production only in 1971. Only about 20 per cent of the Indian tractor market is for tractors over 40 hp and the 47 hp Ford tractor is the most popular tractor in this hp category Fiftyfive per cent of the market is in 35 hp category and 25 per cent is below 30 hp.

India today has a population of over 500,000 tractors and an annual demand of over 80,000 tractors making India the third largest country in the world for tractor sales, well ahead of any other country in the world except the USSR and the USA. The usefulness of these tractors to Indian farmers has been confirmed by the recent all India survey done by the National Council of Applied Economic Research, which has shown that although tractor farms have higher output of approximately 20 per cent on a crop to crop basis, they are able to actually get 63 per cent higher output per hectare through better overall farm management and this higher output requires 35 per cent more hired labour. Thus tractors contribute significantly to solving both the problems of agricultural production and rural unemployment which is evident from the shortage of labour in all the mechanised districts.

According to the National Commission on Agriculture, the total farm power in India in 1971 was only 55.6 million hp or .39 hp per hectare, out of which 46 per cent was contributed by bullocks and only nine per cent from tractors. In a passage of 10 years, the total hp per hectare has gone up by 93 per cent but the share of animal power has declined to 26 per cent while the share of tractors hp increased to 20 per cent. It is significant that all the food deficit areas of the country are areas of low mechanisation and surpluses are invariably found in areas with high mechanisation.

Richardson Hindustan Maintains

Richardson Hindustan has suffered a setback in its performance during the year ended June 30, 1981. Its pre-tax profit has declined by 9.5 per cent to Rs 1.59 crore from Rs 1.74 crore despite an increase of 15 per cent in sales of Rs 19.19 crore from Rs 16.56 crore. The Directors have proposed to maintain the equity dividend of 20 per cent for 1980-81 on the increased capital resulting from the one-for-five bonus issue. The pre-tax profit has been arrived at after providing Rs 30.81 lakh (Rs 24.21 lakh) for depreciation. The provision for taxation is lower at Rs 104.76 lakh against Rs 120.23 lakh. The proposed equity dividend will claim Rs 36 lakh.

Unquoted Equity Shares

The Central Board of Direct Taxes had notified on August 29, 1981, draft rules for the valuation of unquoted equity shares of investment companies and other companies. Objections and suggestions from the public to these rules had been invited by October 15, 1981. It has now been decided to extend the date for submission of objections or suggestions on the above draft rules up to December 1, 1981. Any objection or suggestion which may be received from any person with reference to the draft rules before December 1, 1981 wil be considered by the Central Board of Direct Taxes.

Gujarat Steel Tubes

The performance of Gujarat Steel Tubes Ltd improved in the year under review as compared to that of the previous year. The turnover was Rs 52.61 crores, up 51 per cent as compared to Rs 34.76 crores in the previous year. Gross profit has gone up to Rs 3.25 crores as against Rs 2.39 crores in the previous year representing an increase of 36 per cent. Despite inadequate supplies of hot rolled coils/skelp from the indigenous plants, the company could step up production by 48 per cent during the year under review by importing large quantities of hot rolled coils. The total FOB value of pipes exported went up by 54 per cent enabling the company to regain its position as the largest exporter of steel pipes. Production of precision tubes more than doubled during the year under review.

The company has decided to set up manufacturing facilities for producing all varieties of precision tubes on a large scale in a new building, construction of which has commenced. Orders for machinery have also been placed. The total capital outlay for the project will be Rs 5.20 crores and the company proposes to issue secured convertible debentures of Rs 5 crores to finance this project. The company declared during the year under review a bonus issue in the ratio of one for every existing equity share of the company by capitalising a sum of Rs 1.80 crores out of the general reserve. Necessary permission from the Controller of Capital Issues has since been received.

After providing Rs 59.30 lakhs for depreciation (Rs 41.54 lakhs), Rs 27 lakhs for investment allowance reserve (Rs 9 lakhs), Rs 96 lakhs for taxation (Rs 31 lakhs) and Rs 43.20 lakhs (Rs 32.40 lakhs) for proposed dividend, the net profit of the company is Rs 99.53 lakhs (Rs 124.90 lakhs). The Directors have recommended an increased dividend of Rs 24 per equity share (Rs 18) which would claim Rs 43.20 lakhs (Rs 32.40 lakhs). The dividend is covered four times by the year's earnings.

Indian Hume Pipes Interim

Indian Hume Pipe Company Limited will be paying an interim dividend of Rs 12.80 per share, taxable, for the year ended June 30, 1981. As the accounts for this period cannot be finalised pending the amalgamation of National Rifles Limited with Indian Hume Pipe, the Directors have decided to recommend the payment of interim equity and preference dividend.

Kothari (Madras)

Kothari (Madras) Limited has benefited during the year ended June 30, 1981 by a further improvement in the output of caustic soda and allied products. The working results have made satisfactory showing even with reduced profitability of the textile and plantation divisions. The tea and coffee estates secured only a marginal profit even with a larger turnover and there was no need for provision for taxation as earlier allocations were considered more than adequate.

Neeka Tubes

Neeka Tubes Limited the wholly-owned subsidiary company of Gujarat Steel Tubes Limited has fared much better in the year ended June 30, 1981 as compared to the previous year. During the year under review the sales of the company went up shaprly from Rs 118.77 lakhs to Rs 213.57 lakhs recording an increase of 80 per cent over the previous year. This achievement has been possible as a result of standardisation of production processes and better market conditions. The gross profit of the company during the year under review is Rs 47.27 lakhs (Rs 12.19 lakhs). After providing for depreciation Rs 8.02 lakhs (Rs 7.77 lakhs) and investment allowance reserve Rs 0.97 lakhs (nil) there remains a net profit of Rs 38.28 lakhs (Rs 4.42 lakhs) during the year under review. This represents nearly nine-fold increase in the net profit of the company. The company has appropriated the above amount of Rs 38.28 lakhs against the accumulated losses and investment allowance reserve of previous years amounting to Rs 15.64 lakhs and Rs 19.45 lakhs respectively. The balance of Rs 3.19 lakhs has been transferred to the general reserve.

SLM-Maneklal

SLM-Maneklal has earned a lower gross profit of Rs 1.32 crore for the year ended March 31, 1981 against Rs 1.85 crore for the previous year. The total dividend distribution will amount to Rs 41.93 lakh against Rs 42.43 lakh.

The company's net profit amounts to Rs 41.39 lakh against Rs 51.98 lakh after providing Rs 48.09 lakh (Rs 46.44 lakh) for depreciation, Rs 25.68 lakh (Rs 18.02 lakh) for investment allowance reserve and Rs 17 lakh (Rs 68.50 lakh) for taxation.

The company hopes to increase its sales to about Rs 26 crore in the current year. Its sales during the first four months of the current year has amounted Rs 6.06 crore against Rs 4.93 crore in the corresponding period of last year.

Oriental Carpet

The gross profit of the Oriental Carpet Manufacturers (India) Ltd has declined from Rs 59.31 lakh to Rs 57.22 lakh for the financial year 1980-81. Allocations include Rs 23.77 lakhs (Rs 19.07 lakh) for depreciation, Rs 12.50 lakh (same) for taxation, Rs 6.47 lakh (Rs 10 lakh) for reserves etc and Rs 14.70 lakhs (Rs 13.37 lakhs) for dividends (total). The Directors have recommended payment of dividends on equity shares at 13 per cent (same) subject to deduction of tax. The working of the company during the period was adversely affected due to the recessionary trends in the market which led to the building up of heavy stocks. Sales showed an improvement over the previous year by nearly 25 per cent.

Jaiprakash Enterprises Enters Capital Market

Jaiprakash Enterprises Limited is entering the capital market on November 4, with a public issue of 8,64,000 Equity Shares of Rs 10 each for cash at par. The public issue is being made to invite public participation in the equity capital of the company for the Hotel Project which is already in operation since March, 1981.

Jaiprakash Enterprises Limited has been promoted by the founder Directors of Jaiprakash Associates Pvt. Ltd. Jaiprakash Associates has been in the construction industry for a number of years now. The company specialises in the construction of dams, barrages, tunnels, industrial structures, etc. which are of great importance to the development of the nation. They have had the privilege of being involved in the construction of very large hydro-electric power and irrigation projects, such as Chilla Hydroelectric Power Scheme (Rishikesh), Kudremukh Iron Ore Project, Tehri Dam Diversion Tunnels, Lakhwar and Narmada Dam Projects. The company is currently executing a massive turnkey contract in Iraq for a sewage system for the capital city of Baghdad, costing more than Rs 160 crores. They have deployed 2000 skilled Indian Engineers and Technicians on the project.

The project costing Rs 375 lakhs is being financed by share capital of Rs 144 lakhs, term loan of Rs 216 lakhs and unsecured loan of Rs 15 lakhs. Hotel Siddharth which has already been completed and in operation for the past six months, has been built to international standards. The hotel is centrally airconditioned. It has 96 double bed rooms, 4 suites with attached bath, running hot and cold water, telephone and 4 channel music in all rooms and public areas. It has a convertible banquet-cum-conference hall, an Indian/Continental restaurant and bar.

The company has entered into two separate agreements with ITC Ltd. (WELCOMGROUP); one for providing technical consultancy during construction, furnishing, equipping and staffing of the hotel and the other for hotel services during operation of the hotel under which ITC shall provide key personnel for efficient management of the hotel, and shall impart needbased training to the hotel staff, undertake publicity and sales promotion for marketing the hotel services and shall make available its hotel reservation services in India and abroad.

The prospects for the hotel are very good. The hotel has already crossed the break-even level of operations and has started earning profits. Completed at a relatively low cost a hotel of this size if put up today would need almost double the investment. This is a very great advantage to the investors. The issue is being managed by the Merchant Banking Division of Grindlays Bank Limited, New Delhi.

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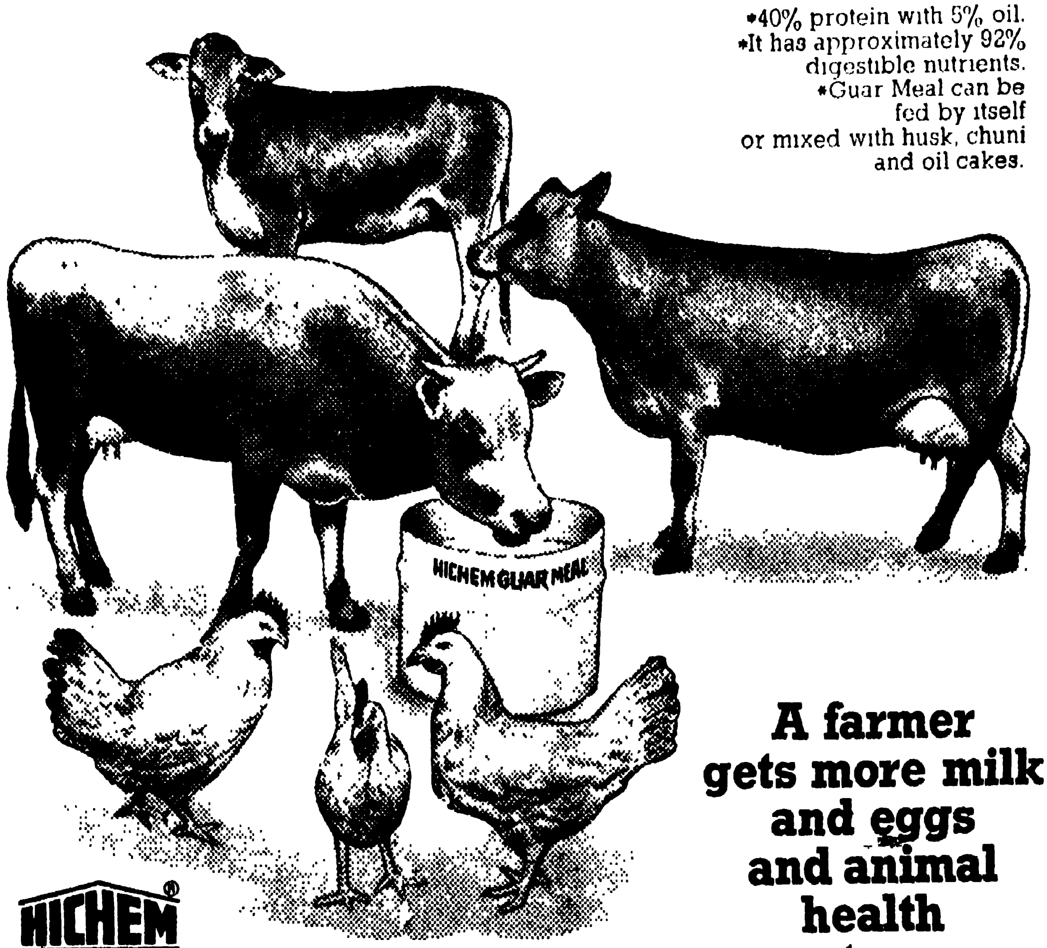

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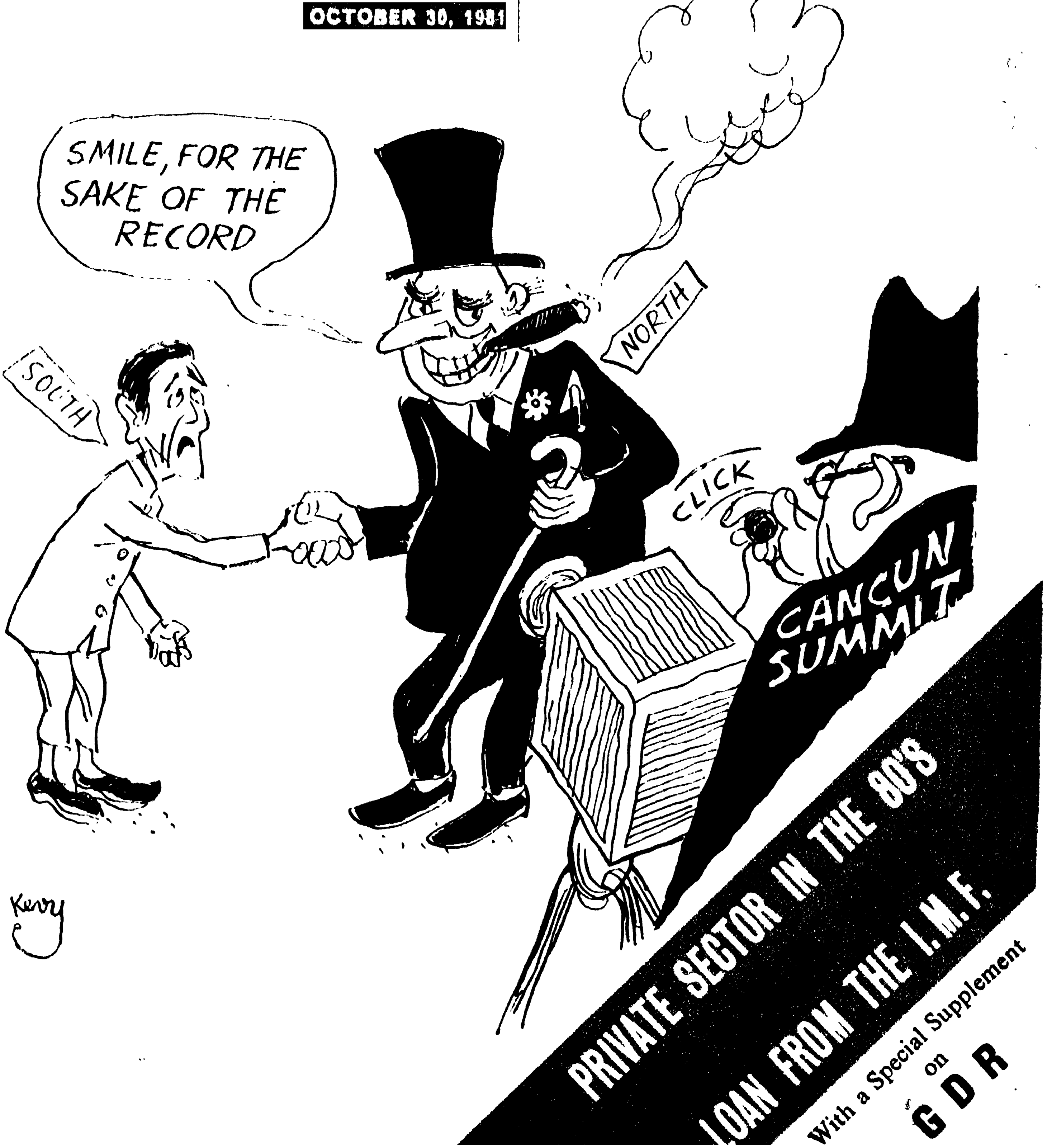

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This Week

October 21

Kerala was placed under the Governor's rule as a viable alternative ministry was not "immediately" possible to replace the fallen left front government.

The UN General Assembly called for withdrawal of Vietnamese troops from Kampuchea for the third time in three years by the largest majority yet.

October 22

Mrs Indira Gandhi met the Chinese Prime Minister, Mr Zhao Ziyang, in Cancun.

The Majlis, Iran's Parliament, has rejected Ali-Akbar Velayati, a US-educated pediatrician, as Iran's new Prime Minister.

Industrialists in the NOIDA complex will be eligible for all the benefits under the Income-Tax Act which are admissible to entrepreneurs setting up their units in backward regions.

Uttar Pradesh Governor C.P.N. Singh promulgated an ordinance arming the State Government with sweeping powers to curb the menace of organised and unorganised crime.

The wholesale price index remained almost stationary and stood at 285.2 during the week ended October 10 against 285.1 for the previous week.

October 23

Pakistan President Gen Zia-ul-Haq has ruled out the lifting of martial law in the foreseeable future.

The first round of talks in New Delhi between External Affairs Minister Narasimha Rao and the Akalis over their demands lasted 75 minutes.

Sugar production during the sugar year 1980-81 was higher at 51.43 lakh tonnes compared to 38.5 lakh tonnes in the previous year.

Three men on a motor cycle shot dead Kapurthala district Janata Party General Secretary Mohinder Paul near Phagwara in Punjab.

The Prime Minister, Mrs Indira Gandhi, and the French President, Mr Francois Mitterrand, have opposed any move to downgrade the International Development Association (IDA), the soft loan affiliate of the World Bank.

The Union Government has announced a support price of Rs 270 per quintal for the fair average quality of groundnut-in shell for the 1981-82 season against a support price of Rs 206 per quintal for the 1980-81 season.

October 24

The monthly index of industrial production (base 1970-71) for July 1981 was higher at 162.9 (provisional) compared to 147.9 (provisional) for July last year.

The two-day summit of leaders from 22 developed and developing countries at Cancun ended without anything concrete proposals on the issue of global negotiations.

October 25

Union Home Minister Zail Singh warned extremist elements in Punjab not to underestimate the strength of the Centre to deal with secessionist elements.

Kashmir Chief Minister Sheikh Abdullah inaugurated the biggest trout culture farm in the country at Dachigam, about 20 km from Srinagar.

The Farakka super thermal power station which will have an ultimate installed capacity of 2100 MW, will provide need based training in some of the basic trades required for operation and maintenance in power and coal industries.

Foundation stone of the Rs 60 crore Railway diesel component workshop at Patiala, laid by Mr Kedar Pandey, Minister for Railways.

October 26

The Union Government extended the ban on extremist "armies" of Manipur which are continuing their secessionist activities and violent attacks on police forces and civilian population of the State.

India has decided to drop its application for a $260 million loan from the International Development Agency(IDA), the soft loan affiliate of the World Bank.

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ECONOMIST

Cant and "Can't" at Cancun

BLESSED ARE they that do not hope, for they shall not be disappointed. Mrs Indira Gandhi went to the North-South summit at Cancun without much hope, and could therefore say at the end of the lacklustre meeting that she was not disappointed. "At least the door has not closed", she pointed out. This will be cold comfort to those who were hopeful of concrete results, and not just the opening and closing of doors. They could legitimately ask why it was necessary at all for 22 heads of State and Government to attend such a gala summit if the goal was merely to agree to keep talking. The answer, presumably, is that a fruitless dialogue is better than no dialogue, as it could yield fruit at some time in the future.

Very true. But, in that case, are not the developing countries wasting their breath on endless prattle about a New International Economic Order (NIEO) ? International discussions are capable of producing a series of marginal concessions which, over a period of time, can add up to a substantial amount. In the last 20 years, the world has witnessed increases in aid, a generalised scheme of preferences for developing countries, debt relief for the worst affected, a common fund for commodities, and special measures for the least developed countries.

But such talks are quite incapable of yielding anything as revolutionary as a new economic order. The developing nations would like a new dispensation in which they are top dogs, displacing the OECD. But why on earth do they expect the OECD to cooperate in this endeavour ? How can they possibly expect that the advanced nations will come to the negotiating table and gracefully commit hara-kiri ? A new order can be forcibly imposed on the Western nations, as OPEC has shown. But the same result cannot be negotiated at a conference.

A negotiation is a process of give and take. But the North-South dialogue is essentially a process of give and give still more. Unilateral concessions are demanded of the developed nations with nothing being offered in return. This has produced some results, but these are necessarily marginal. Why then has the Third World gone ga-ga about global negotiations ever since the 1979 UNCTAD meeting ? Please note that negotiations are merely a procedure, not an objective. To demand global negotiations to solve world problems is rather like our domestic version of trying to solve tricky problems by setting up yet another committee. As to the substance, there is not a single issue that has not already been debated threadbare in existing forums. So why does the Group of 77 developing nations concentrate so much energy on trying to create yet another talking shop instead of getting down to concrete issues ?

The answer is that the Third World has got caught in its own hypocrisy. After the energy crunch caused by OPEC, the rich nations wanted discussions on energy. OPEC replied that it would not discuss energy alone, but in conjunction with all other developmental issues. Some Third World countries jumped onto this bandwagon, foolishly believing that OPEC would use its muscle to ensure their salvation, which it has quite graphically refused to do—at no point has OPEC threatened the West with sanctions if it does not meet the development demands of the poorest nations. Some other Third World nations like India realise that global negotiations are a red herring invented by OPEC to divert attention from the scandalously high price of oil, but are afraid of antagonising the oil kings, and in any case feel it is necessary to go along with OPEC in the interests of Third World solidarity. And so the cant about the importance of global negotiations goes on.

Unfortunately this cant has not just been fruitless, it has been counter-productive. It has created a backlash in the USA which means that even marginal concessions are a thing of the past. The USA is answering militancy with militancy, and international meetings are marked by confrontation rather than co-operation. This would have been no bad thing if the confrontation produced results. For instance, if the OPEC nations were willing to blackball OECD countries which imposed protectionist barriers or failed to meet aid targets, it might have been possible to get some actual restructuring. In practice, solidarity of the Third World has merely produced paper resolutions lacking teeth.

It is high time the Third World shook off day-dreams induced by the success of OPEC in squeezing billions out of the OECD. The success of OPEC in 1973-74 led to the Sixth Special Session of the UN which formally demanded a New International Economic Order. The NIEO was not clearly defined, but the obvious hope was that other developing nations could also get much higher export prices at the expense of the OECD. It was the age-old dream of getting rich without trying, of finding a pot of gold at the end of the rainbow. It took only a few years to realise that oil was a unique commodity, and that cartelisation would not work for other commodities. Indeed, one of the major reasons for OPEC's success was that the biggest exporters (Saudi Arabia, Iran, Kuwait) were already rich countries not dependent on foreign aid, so that OECD nations could not easily devise counter-sanctions on the economic side. The net result of high oil prices was to cause a slump in the OECD, which in turn reduced the demand for and price of other commodities exported by the Third World. Meanwhile inflation sparked off in the West by high oil prices resulted in a runaway increase in the price of capital goods. The poorer countries were therefore hit on the head three times—first by high oil prices, second by depressed prices for other commodities, and third by high prices of capital goods imported from the West. And instead of protesting against this inequity, they have continued to support the OPEC line which has been the root cause of their troubles.

The demand for NIEO is rooted in the hypocrisy that a problem caused by OPEC should be solved by more largesse from the West. The hypocrisy has not even tried to include Russia and the socialist bloc as part of its strategy hardly any demands are made on them despite the fact that their aid in terms of GNP is so small as to be hardly measurable; they are extremely protectionist; they mix politics with aid to the extent of giving virtually all their aid to Cuba, Vietnam, Laos, Kampuchea and Afghanistan; they steer clear of all multilateral lending institutions; and they refuse to accept any responsibility at all for Third World development, arguing that it is entirely for the colonial powers to bail out the Third World. This attitude is a hundred times worse than that of the USA, yet the Third World peppers the US position while letting Russia go almost scot-free. Apparently Third World unity demands that no pressure should be put on OPEC, no pressure should be put on Russia, and all pressure must be put on the West, and particularly on the USA. This strategy has turned out to be sterile, yet there is not the slightest attempt to abandon it.

The one positive aspect of the Cancun summit was that the standard recrimination and air of confrontation was missing. President Reagan had deliberately insisted that there should be no fixed agenda, no negotiations, and no joint communique. There were only 22 participants, who did not group themselves into adversary blocs. They talked for only two days. As was to be expected, this kind of set-up made it impossible to achieve any concrete results. But it did mean that for the first time in many years the ego of the USA was salved at an international conference of this type. President Reagan positively dominated the entire meeting. There was no joint position of the Group of 77 against which the US needed to be measured, and the whole conference hinged on the reaction to Mr Reagan's own miniscule concessions on global negotiations. He was willing to go ahead with them provided they did not disturb the final decision-making authority of existing institutions like the World Bank and IMF. His proposed agenda for the global negotiations made no mention at all of increased aid flows, stable commodity earnings for exporting countries, or a restructuring of international bodies or their policies. He harped on the need for the Third World nations themselves to improve their policies, particularly in regard to inviting multinationals and foreign bankers. In short, his proposal amounted to the abortion of global negotiations as envisaged by the Group of 77, and its substitution by a new format in which the guns could be turned on the developing nations and their policies.

This was not howled down, as would have happened in any UNCTAD or UNIDO meeting. Instead most leaders strained to find some positive merit in the proposal, and felt it was better than straightforward rejection. Thus President Reagan had the satisfaction of getting a fairly good reception, which may increase his enthusiasm for such conferences. This will certainly not result eventually in NIEO. But it may at least result in the marginal improvements we used to see in the past. And it is silly to expect anything more from international initiatives.

The truth is that President Reagan is absolutely right in at least one respect—he has emphasised that development consists of the improvement of the quality and capacities of the people of a country, and that this cannot be brought about simply by ever-increasing doses of charity. Development is essentially an indigenous process for which the developing countries themselves must shoulder the main responsibility. They cannot depend on an ever-growing White Man's Burden to bail them out. Mrs Indira Gandhi came remarkably close to endorsing Mr Reagan's approach in her own presentation. She emphasised self-reliance, and pointed out that only 9 per cent of India's Sixth Plan would be financed by foreign inflows. She said that inflows were vital to accelerate the growth process, but made it clear that developing nations would have to struggle themselves to become economically self-reliant, just as they had earlier struggled for political independence without help from outside.

President Reagan was also all praise for India's green revolution, which he saw as precisely his own solution for the food problem of the Third World. Canada and other nations were equally fulsome in their praise of India. Nobody shouted "kulak, kulak" or criticised the green revolution for widening rural disparities. Mrs Gandhi basked in the generous praise. There is something to be said for a conference in which India and the USA had nice things to say for each other. Cancun has not brought the image of NIEO any closer. But it might at least be the start of warmer relations between India and the USA, and that could be far more important to us than all the paper resolutions of the Group of 77 put together.

Curbs on Imports ?

ADDRESSING Parliament's Consultative Committee attached to his Ministry, the Union Commerce Minister, Mr Pranab Mukherjee, revealed last week that a mid-year review of the external trade trends had been undertaken following which some restrictions on imports would be placed in the near future. Mid-term adjustments in import policy, of course, are not an uncommon phenomenon. These adjustments in the recent past by and large, however, have been made to augment supplies of various inputs of the economy whenever domestic production has failed to come up to expectations. Restrictions on imports have been resorted to only sparingly. It, therefore, will be after several years that the import policy in general will be tightened up in the course of a year.

The reason for this step, of course, is not far to seek in so far as the current year is concerned. It is the heartening prodution trends in general and in such important industries as petroleum, steel, non-ferrous metals and fertilizers in particular, following a considerable easing of the infrastructure constraints. Imports of the latter specific items, however, could be restricted even without a review of the import policy for they are mostly canalised. The primary purpose of the import policy review is to effect cuts in general wherever warranted so that the external trade deficit can be contained and precious foreign exchange saved to as large an extent as possible.

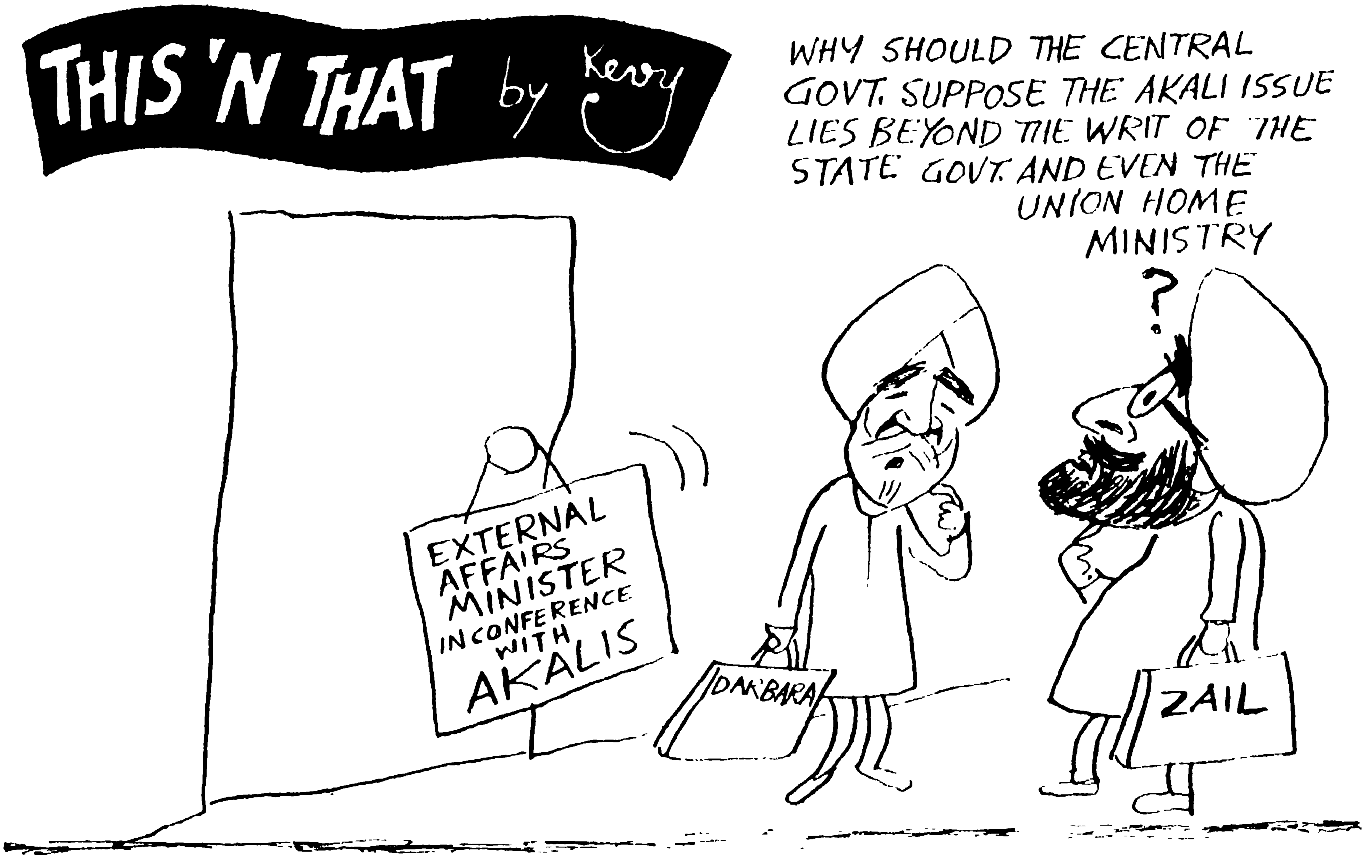
This urgency has arisen because of the rapid growth in the deficit on external trade account during the past four years. The trade gap last year increased to as much as over Rs 5,500 crores from Rs 2,438.72 crores in 1979-80, Rs 1038.04 crores in 1978-79 and just Rs 621.03 crores in 1977-78. We had a surplus trade balance in 1976-77 even though just to the order of Rs 68.46 crores. On the basis of the provisional data available, the deficit during the first four months of the current financial year has been around Rs 1,710 crores, suggesting that the improvement in domestic production has had no significant impact on imports. The situation, indeed, can be expected to take a turn for the better in the post-July period, at least in physical terms. But the major problem that has arisen is the depreciation in the value of the rupee in terms of the US dollar in which an overwhelming proportion of the imports are still being transacted. The trade gap this year, thus, may not show the originally anticipated marked decline. To some extent, of course, exports should stand to benefit from this factor. But the development in overall terms will be to our disadvantage.

It, of course, is gratifying to note that Mr Mukherjee has assured that the overall production interests will not be allowed to suffer as a consequence of the mid-year revision in the import policy, for if that happens the import curbs will prove to be counter-productive in a very short span of time. In no circumstances, for instance, it has been indicated, that the process of modernisation of industry and agriculture is to be allowed to slow down. Nor is the export drive to be halted or slowed down: imports required for increasing exports are to be allowed without any constraints. Imports of such items as cold rolled steel products, aluminium, paper, various chemicals, petroleum products, fertilizers, etc., can be legitimately curtailed. Sugar imports, similarly, need not be taken resort to next year as the output during the new crushing season is anticipated to increase sharply.

The hint by Mr Mukherjee about curtailment of imports this year is as well being interpreted in some circles as moving away from the era of liberalised imports ushered in four years ago following an impressive increase in our free foreign exchange resources. Such an inference appears to be unjustified, for much will depend on the availability of about five billion SDRs loan which has been sought from the IMF to make structural adjustments in the economy during the next three years. Further, the sharp improvement in domestic production of crude oil, a fairly impressive increase in the output of such materials as steel, aluminium, cement and fertilizers should result in containment of imports. Better utilisation of the existing capacities in various other fields, which should not be impossible if improvement in infrastructure is maintained, too can yield wholesome results. Consequently, there may not be any need for making the import policy unduly restrictive.

From the long-term point of view, import substitution, of course, needs to be encouraged again. Undoubtedly, this cannot be objected to in the international forums by the developed countries which are becoming more and more charry of making available financial assistance. For the developing economies, import substitution is an important instrument of development. Some recent studies have shown that good scope exists in India in such fields as petroleum, steel, cement, fertilizers, non-ferrous metals, paper and paper products, chemicals, synthetic fibres and yarn, edible oils, etc. The same is the case with various types of machinery and equipment. Emphasis apparently has to be laid on the substitution of imports, the indigenous production costs of which are lower than abroad.

THIS 'N THAT by Kerry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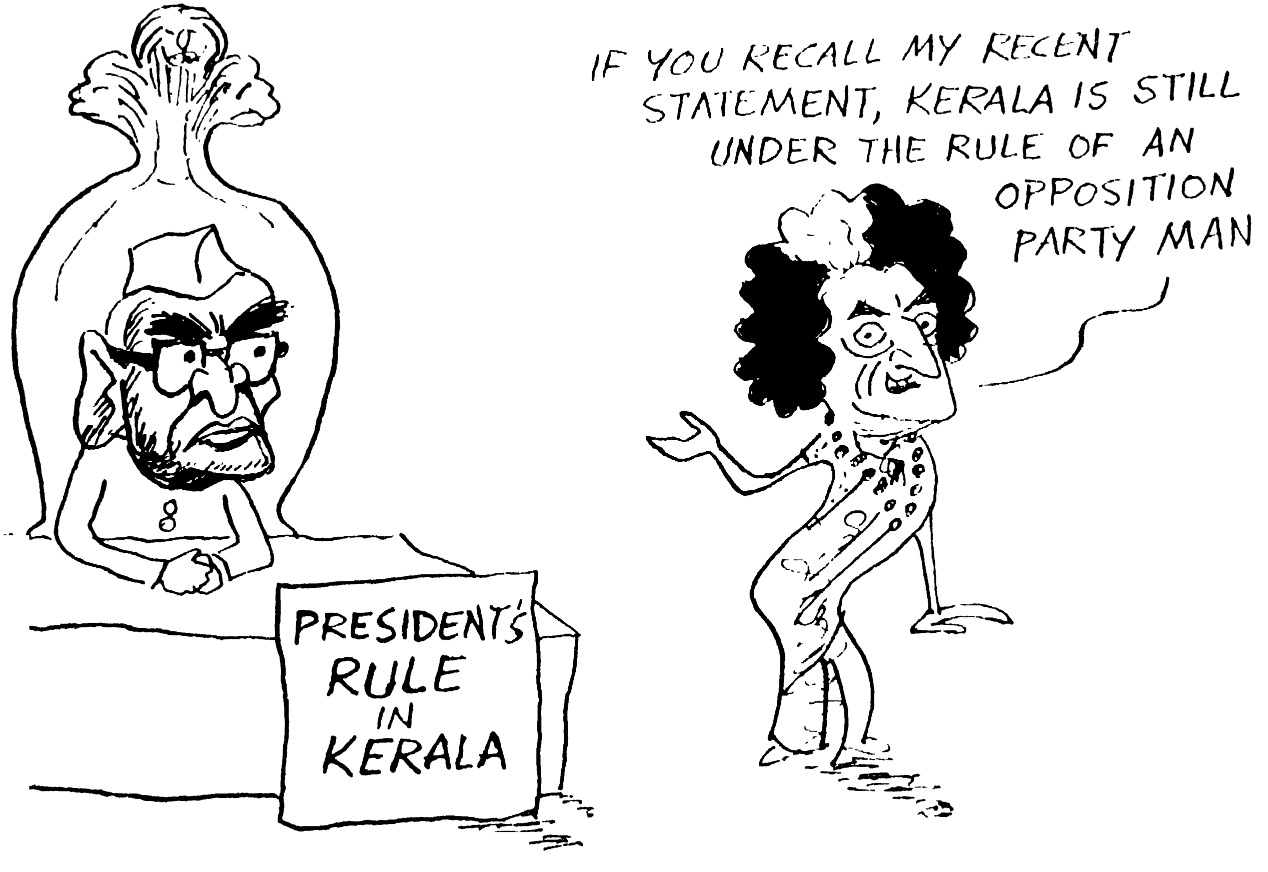
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PRESIDENT'S RULE IN KERALA

Private Sector in the Eighties

Aditya V. Birla

THE STRENGTH of a country lies in its industrial power. This needs no elaboration. West Germany, Japan, the United States are all respected. Why ? Because of their inherent industrial strength. Having accepted this basic truth, let us examine, where India stands, and what should be our aim. We are proud that India is the tenth largest industrial country in the world. It has the third largest pool of engineers, doctors and technocrats, and ranks fourth in agricultural production. Apart from this, it is the biggest democracy in the world.

These are very impressive facts and figures, but they must be put into correct perspective to judge their real impact on the standard of living of the people.

Simple Comparisons

A country cannot be assessed in isolation. Therefore, with a few simple comparisons, let us first know where we stand. India's share of the total export/import trade of the world is hardly 0.5 per cent in spite of having 14 per cent of the world's population. This is embarrassing, to say the least. India's sales and production of cars is about 45,000 per year. You will be surprised that the sale of cars in a small country like Thailand is 75,000 per year. India's total production of steel is a meagre 8.2 million tons. Production of steel in Japan, which has neither iron ore nor coal is 120 million tons. India's total exports are Rs 6,578 crores only, whereas the total exports of a small country like Hong Kong, with a population of only five million, is more than Rs 16,000 crores. Exports of South Korea exceed Rs 14,000 crores. Exports of Taiwan with a population of about 40 million exceed Rs 16,000 crores.

Let us now take the per capita income. In India, it is only US $173 whilst in our neighbouring countries, like the Philippines, it is US $450, in South Korea US $810 and in Singapore US $890. These figures amply demonstrate that we have a long way to go. As an Indian, it breaks my heart to see that we are lagging behind our neighbours, in spite of all the raw material reserves, and above all, our manpower resources, full of intelligence, skill, initiative and enterprise. What then is lacking ? Where have we gone wrong ?

If India has to attain its rightful place among the top industrialised countries of the world, I am positive, that our present narrow, restricted and petty thinking will not do at all. We must unshackle the limitations, which are self-imposed and holding us back. We have to be visionaries. We have to think big. For this we must have a large heart and we must have the boldness and foresight to be able to think and implement big things speedily which alone can bring prosperity, employment and a higher standard of living for our countrymen. We cannot achieve large goals with petty thinking. In my opinion, for too long a period has affluence been associated with vice, and poverty with virtue; for too long has the private sector been maligned for all the ills of the economy. This must change. If the objective of removing poverty has to be achieved, then creation of wealth has to be the national objective, and the creators of wealth have to be honoured and rewarded.

MRTP Act

One classical example of our small and narrow vision is the MRTP Act. An investment of just Rs 20 crores qualifies a unit to be bound and shackled by MRTP laws. A minimum economic-sized cement plant of 1,500 tons/day needs an investment of Rs 35 crores as of today. This means that an entrepreneur with just one cement plant would come under the restrictions and mischief of the MRTP Act. This is ridiculous. Furthermore, these restrictions sometimes lead to ironical situations. For example, we wanted to expand our capacity of viscose staple fibre and put up new plants for carbon black and palm oil in India, but were unable to do so because of restrictions of the MRTP Act. We have now put up these very plants in South-East Asian countries and you will be surprised to know that a major part of their exports are to India.

The strategy of today should be how to create more wealth for our nation. This requires a positive attitude on the part of the Government. A mere scratching of the surface will not do.

Pigmy Companies

Our share of the world trade is only 0.5 per cent. What is the reason ? One major factor is the puny size of our companies. The total combined assets of the largest 101 private sector Indian companies are no more than Rs 7,888 crores. As compared to this, the total assets of the largest single corporation in the United States, EXXON, just one company, are Rs 47,525 crores, which is six times more than all our 101 companies put together. More interesting still is the fact that a company like Avon Products, which manufactures cosmetics and caters only to the whims and vanity of the fair sex, has a sales turnover of Rs 2,158 crores. As compared to this, TELCO, the largest private sector company in India, has a net sale of Rs 410 crores only. Again, TELCO's total assets are only 0.98 per cent of EXXON, the largest American company and only 0.82 per cent of the largest non-US company, the Royal Dutch/Shell Group. This is a very disappointing picture. For real progress, we must think of large units, and once these large units are established, medium, small and tiny sectors would automatically flourish, because these sectors are directly and indirectly, interlinked with the larger units.

The Government can help the private sector to achieve its goal. It has set for the private sector a target of total investment of Rs 15,182 crores in its Sixth Five-Year Plan. If the cost of investment increases due to inflation, as in 1970's, the actual investment of the private sector would be around Rs 20,336 crores. The total cash generation of private sector is estimated to be only Rs 11,287 crores. Thus, the gap between the resources and requirement would be about Rs 9,000 crores How does the private sector bridge this gap ?

The Government by its policies has concentrated in its hands, all the financial resources, through nationalisation of banks and insurance, control of financial institutions, UTI, etc. Therefore, private sector has no option but to go to the Government for its financial requirements. The present debt-equity ratio of 2:1 allowed by the Government is very low for a developing country like ours. In South Korea, for instance, the debt-equity ratio is as high as 5:1. Relaxation of the debt-equity ratio would go a long way to promote the growth of the private sector, since internal generation of funds is meagre and further eroded by heavy taxes and inflation.

Sword of Damocles

The second stumbling block in obtaining finance from institutions is the proverbial Sword of Damocles hanging over the borrowers, because of the present convertibility clause. The convertibility clause is unfair to any well-established company, because it ensures full security and maximum return to the lender. In effect, the lending institutions seem to say: "In your adversity, I will get my fixed return, and in your prosperity, I will share it equally with you, as a partner." This has inhibited many borrowers from expanding their business Therefore, this provision has retarded the growth of industries; it should be done away with.

In addition to the local borrowings, one vast source of borrowing as yet untapped by the Indian private sector due to Government restrictions, is the Euro-currency borrowings. Foreign banks are flushed with petrodollar funds and are eager lenders. Private sector companies in nations around us are capitalising on this fund availability, whilst India remains a sleeping giant. In our own joint venture staple fibre project in Indonesia, we have borrowed $37.4 million in Euro-currency from a consortium of 17 international banks. Why can't we do the samething in India ? You will be surprised to know that borrowings from private sources by private companies form a very substantial part of the total external public debt. For example, borrowings by private companies from banks in Mexico, Indonesia and Malaysia are $25.4 billion $6.3 billion and $4.4 billion, respectively. Even in a small country like Ivory Coast, it is $2 9 billion. In contrast to this, borrowings by Indian private sector are only $0.21 billion. I cannot see the logic of our not taking advantage of this vast resource of private funds, especially when India is rated as one of the safer countries to lend.

The fourth very important point for making resources available to the private sector is the question of a growth-oriented taxation policy. In the UK in selected industries and in selected areas, which they wish to industrialise, they give a straight subsidy of 25 per cent without any upper limit. Therefore, if you are in the right industry or the right place, on a project of Rs 10 crores, you get a straight subsidy—a clean grant from the Government—of Rs 2 5 crores. In India, because of our narrow thinking and lack of vision a 15 per cent grant is given in certain areas, but the maximum limit is Rs 15 lakhs only. Such pittance cannot help the real growth of industry which is needed in the country.

The other major incentive given by the UK Government is a 100 per cent depreciation write-off in the very first year of installation of plant and machinery. This ensures adequate cash flow in the industry and the result is that industry is flushed with funds in the very first year of installation of machineries. These funds can be utilised gainfully for further expansion. The beauty of the scheme is that the Government does not lose its revenue, because over a period of 7 to 8 years, the industry pays the same amount of tax to the Government. What actually happens is that the tax money remains with the industry for a longer period, and statistics prove that money in private hands is better utilised and fetches a higher return than the same money in Government's hands Studies show that for every rupee invested in the private sector, it has generated 2 2 times more employment and paid 10 times more taxes than the public sector. By this unique strategy, the Government, in effect, ensures and encourages private sector industry to keep ploughing back its generated profits in plant and machinery, thereby increasing production, providing employment and ulti-

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mately, increasing the revenue of the Government.

An alarming situation is the fact that the private sector as it stands today is slowly becoming a Government sector and losing its identity, because of the continuously increasing share-holding by Government financial institutions in these corporations. From a holding of 8.4 per cent in 1961, by the year 1978 the Government holdings rose to 24 per cent. It is imperative that this trend is halted. The Government institutions should be urged to disinvest the share-holdings of the bluechip companies so that a large circle of genuine investors takes up these holdings and a new culture of public investment is developed, with more and more people being attracted towards investment in private enterprises. If the unhealthy trend of Government holdings is allowed to continue, by 2000 AD all private sector companies would become Government companies and all of us will be Government servants.

A good, firm, base of infrastructure is required, which responsibility at present lies solely with the Government. Five very important sectors where the Government must step up its efficiency are: power, coal, railway transport, port congestion and red-tapism.

The laws must be streamlined. In just five years, between 1971 and 1976, the Government made 36,515 rules, orders, notifications, etc. It is high time that we stopped making further laws, and started enforcing and simplifying the existing ones. There are so many laws, and such severe penalties for infringement, that being a director of a company has become one of the most hazardous jobs in India today.

The achievements of the private sector are well known but sometimes they need to be highlighted.

The total investment in fixed assets in the private sector in 1978 was Rs 25,604 crores. It employed directly 7.06 million persons and paid income-tax alone to the tune of Rs 1 389 crores. As against this, the total investment in the public sector companies in 1978 was Rs 12,851 crores; employment was only 1.6 million persons and tax paid was a meagre Rs 141 crores. Studies recently made at the CAPA (Commission on Asian & Pacific Affairs) Conference revealed, that for every rupee earned by a shareholder in a private company, nearly seven rupees are generated as tax revenue for the Government.

From these figures, it is evident, that in a country where capital is scarce, investment should be made in those sectors which generate more employment and more revenue for the public exchequer. I firmly believe that the public sector has filled in some of the important gaps in our economy, but my intention in giving these figures is to highlight the achievements of the private sector.

Entrepreneurship is a very scarce commodity the world over, and India is no exception. This spirit of enterprise should be aided, encouraged and nurtured but not stiffled. There are signs of Government working in this direction, and we hope, that 1980's would be the 'turning point, when both the Government and private sector would work hand-in-hand to develop the vast potential of this great country.

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Petroleum Uses: Changing Pattern

EVEN THOUGH the rainfall last year had continued the demand for petroleum products for agricultural purposes not insignificantly in comparison with the drought-hit previous year, just about three per cent growth in the aggregate requirements during this year is a sure enough indication of the efforts at containing demand through increases in the prices of products as well as conservation measures yielding results. In the previous two years, the requirements had gone up by 5.8 per cent and 10.6 per cent, respectively.

The hike in the prices of petroleum products in July last, following a substantial step-up in those of indigenous crude oil, indeed, can further limit this growth rate. On current reckoning, the requirements may be contained by about a million tonnes per annum. Consequently, the endeavours at producing 30 million tonnes of crude oil by the end of the current Plan period, i.e. in 1984-85, should enable that year's requirements of petroleum products being met from indigenous crude supplies to even a shade more than 70 per cent. The estimated requirements of 42.8 million tonnes of products in 1984-85, which was based on an average annual growth of 8/9 per cent, it appears, will prove to be significantly on the higher side. The aggregate demand in 1984-85 may not now exceed 39 million tonnes. The requirements last year were of the order of 30.94 million tonnes.

Welcome Development

This welcome development on the oil front, however, does not imply that efforts at substituting oil by alternative sources of energy can be slowed down in any way. Although the OPEC has refrained from jacking up crude oil price further for the rest of the current year and some of its members have even slashed their prices by a couple of dollars per barrel in view of a better co-relation emerging between global demand and supplies, the current situation "may prove to be only a breathing space and not a deliverance", as the Chairman of the Indian Oil Corporation, Mr C.R. Das Gupta, observed recently in his address to the 22nd annual general meeting of his Corporation. Countries like India, of course, may not be able to derive the full benefit of the recent softening trend in the prices of imported oil because of fluctuations in the exchange rates of their currencies. The Indian rupee has depreciated significantly this year in terms of the US dollar in which oil imports are contracted. The increase in domestic production of oil, however, should definitely help in containing the oil and petroleum products import bill well within the last year's staggering level of Rs 5,200 crores, which represented an increase of as much as Rs 3,519 crores in just two years.

Consumption of Light Ends

The consumption of petroleum products in India by product groups has undergone significant changes during the last decade. Although the consumption of various products in physical terms has been growing, in percentage terms there has been a sharp change in the pattern. The demand for light ends (motor spirit and naphtha) around 2.769 million tonnes in 1970-71 accounted for 15.42 per cent of the aggregate consumption of 17.754 million tonnes. By 1975-76, it increased to 3.698 million tonnes, but its percentage share in the total consumption of 22.5 million tonnes rose to only 16.44. In 1980-81, when the overall consumption of petroleum products grew to 30.94 million tonnes, the consumption of light ends increased to 4.371 million tonnes - 14.13 per cent of the total.

The requirements of kerosenes increased from 4.028 million tonnes in 1970-71 to 4.091 million tonnes in 1975-76 and further to 5.498 million tonnes in 1980-81. In percentage terms, however, they accounted for only 17.77 per cent of the total consumption of petroleum products last year, as against 18.18 per cent in 1975-76 and 22.44 per cent in 1970-71.

The demand for heavy ends last year around 7.591 million tonnes accounted for 24.54 per cent of the total consumption of petroleum products. In 1975-76, it amounted to 5.799 million tonnes (26.77 per cent). It was just of the order of 4.785 million tonnes in 1970-71 (26.65 per cent).

Use of Bitumen

The consumption of bitumen declined from 0.766 million tonnes in 1970-71 to 0.696 million tonnes in 1975-76, but grew to 1.090 million tonnes in 1980-81. Its share in the aggregate requirements was 4.27 per cent in 1970-71, 3.09 per cent in 1975-76 and 3.52 per cent in 1980-81.

Lubricants and greases accounted for 3.04 per cent of the total consumption of petroleum products in 1970-71, 2.01 per cent five years later and 1.87 per cent last year. Their consumption decreased from 0.546 million tonnes in 1970-71 to 0.452 million tonnes in 1975-76. It increased to 0.580 million tonnes last year.

The sharpest increase in consumption has occurred in diesels. In physical terms, the increase has been from 4.936 million tonnes in 1970-71 to 7.566 million tonnes in 1975-76 and 11.632 million tonnes in 1980-81. Their share in the overall requirements has grown from 27.49 per cent in 1970-71 to 33.63 per cent in 1975-76 and 37.60 per cent last year.

Consumption of other products has been marginal and varying between 124,000 tonnes and 198,000 tonnes per annum, representing less than one per cent of the total consumption of petroleum products.

The Indian Oil Corporation has yielded

a post-tax profit of Rs 80.65 crores in 1980-81 as against Rs 73.43 crores in 1979-80. Its turnover last year jumped to Rs 5710.94 crores from Rs 4476.35 crores in the previous year. The pre-tax profit, of course, came down to Rs 108.15 crores from Rs 127.68 crores, mainly due to the shut-down of the Barauni refinery, as a sequel to the agitation in Assam on the foreign nationals' issue. Increase in the post-tax profit resulted from the reduction in the income-tax liability for 1980-81 owing to tax reliefs available as a consequence of the commissioning of the Viramgam/Mathura pipeline.

The Corporation has declared a dividend of 14 per cent for the last year, as against 12 per cent for 1979-80. The cumulative contribution to the central exchequer on account of dividend at the end of 1980-81 amounted to Rs 95.41 crores. Besides increase in dividend, the Board of Directors of the Corporation has decided to capitalise Rs 41.09 crores from the general reserves for the issuance of bonus shares in the ratio of one bonus share for every two shares held. Since the undertaking is wholly Central Government owned, the central exchequer benefits indirectly to the corresponding amount through increase in its shareholding.

Energy Saving in Textilies

T.T. Vijayaraghavan writes from Bombay

AN ACCOUNT of the workshop conducted in Bombay by the ICICI for energy conservation in the cement and paper industries was given in these columns earlier this year (June 5). It is as well that this has now been followed by a symposium, this time sponsored by the Bombay Textile Research Association (BTRA), for discussing the question of energy saving in the textile industry in the third week of October. This was the first time that engineers and scientists were brought together to study the problem in depth at the same forum.

Several units in the textile industry are now having plans for getting the latest sophisticated equipment to achieve better quality and higher production at lower cost. With modernisation, the mills are also realising the importance of energy saving. Power and utility cost of the textile sector was only three to four per cent of the total cost structure in the past. But due to the recent price hike of coal and fuel oil, this cost has gone upto eight to 10 per cent. The electrical tariffs are expected to go up further and are likely to double in the next few years. To meet stiff competition, the mills have not only to ensure high quality but also reduce costs. Additional increase in power and utility cost has, therefore, made efficient use of our valuable energy resources an imperative necessity.

Fuel oil has become not only costlier but also scarcer. Ways have to be found for reducing the consumption of fuel oil and economise energy. It would appear that the potential for energy saving in the industry is of the order of 10 to 15 per cent. Saving in fuel oil can be done by efficient generation and well-planned distribution network for steam and its economic utilisation. Conservation of energy can also be effected through machine and process modifications, proper chemical recipes and by adoption of new technology.

The textile industry, which is energy-intensive, consumes substantial quantities of both electrical and thermal energy. The former accounts for a greater proportion till cloth production while the latter contributes to a major share in subsequent wet processing operations which consume almost 50 per cent of the total energy requirement of a composite textile mill. This is attributable to the fact that wet processing involves heating of large quantities of water, drying of wet fabric and high temperature operations.

One striking fact that came out at the symposium was that the cotton textile industry is ideally suited to the production and use of bio-gas from willow dust. This raw material is the waste from willowed cotton and causes disposal problem to spinning mills. It is available in abundance and is assured of regular supply as long as the mills continue to use cotton. The gas can be produced and consumed at the place of production and hence cost of transportation of raw material and gaseous product is eliminated. The technology is simple and easy to operate with virtually very little maintenance cost. There will not be any problem of air pollution as in the case of coal, firewood, charcoal, furnace oil, etc. Further, it can release energy fuels for other high grade heating purposes. The residual sludge, being enriched in nitrogen and lignin content at the end of fermentation, is a good source of manure and helps in moisture retention in open textured soils.

In short, nothing is wasted and there is no effluent problem. Hence, instead of using willow dust as a land-filler or inefficient fuel or imperfect manure, it can be profitably utilised as a source of high energy fuel and a better manure at the same time. Bio-gas can be used in canteen or in singeing or for heating processing water at the mills. From experience gained in the working of BTRA's pilot plant, it has been found that bio-gas plants are ideally suited for textile mills for waste disposal and supplementing energy. Here is therefore a field that offers new opportunity.

Conservation Effort

Maharashtra's Minister for Energy, Mr J.S. Tilak, in his address (this was read by the Mr M.S. Natarajan, Secretary in the Energy Department in the Minister's absence) stressed how along with sizable step-up in investment and augmentation of generating capacity, conservation of energy had become an equally important component of energy planning. If we analyse, he said, the efficiency ratio of utilisation of energy, we find that a sizable portion of energy used goes waste. For example, fuel-good is being used at an efficiency of about 10 per cent, diesel at the efficiency of around 20 per cent and so on. Efforts to conserve various sources, therefore, are urgently required. Also conservation is equally relevant to both renewable and non-renewable sources. In many cases, investment in conservation measures are likely to be more remunerative than that on generation of power. Use of efficient technologies, quality control and proper maintenance of the machines and gadgets are important components of conservation efforts which do not involve much additional investment.

The cotton textile industry employs over one million workers. There are 691 mills, having 21 million spindles and 208,000 looms. It is a major energy consuming sector with an anual consumption of nearly 600 million litres of furnace oil and 200 million litres of high speed diesel oil. It also consumes 18 million litres of lubricants, 20 million litres of kerosene and substantial quantity of paraffin wax. The present annual consumption of coal in the cotton textile industry is more than two million tonnes. Further, textile manufacture by its very nature involves a number of sequential processes consuming electrical and thermal energy. Considering the magnitude of consumption of valuable energy sources, there is wide scope for conserving energy in this sector. BTRA's result-oriented R&D activities which are concentrated on the energy front are obviously commendable.

Energy Audit

Mr Radhakrishna R. Ruia, Chairman, Governing Council, BTRA, in his welcome address pointed out that there was still considerable lack of awareness in the minds of the managements to combat energy shortage through appropriate proven preventive measures and newly developed techniques. It was high time that every one concerned started taking active interest and attached utmost importance to conservation measures which would eventually result in cost reduction. First and foremost, one must really know how much energy one was using. Energy audit was, therefore, an important prerequisite. Good housekeeping, stoppage of leakage and spillage, and elimination of wasteful practices were very important. Further, with more and more high-speed and high-cost sophisticated machinery coming into the field, there was also need to have systematic and efficient machinery maintenance. In this context, BTRA could indeed claim the credit for pioneering and raising the status of machinery maintenance audit as an important management tool to control efficient functioning of various processes in the departments of spinning, weaving and chemical processing of several member units all over the country.

Again, BTRA's pioneering work in form technology, the latest in energy saving, was of special significance, particularly in its application of printing, which had not yet been commercially made feasible even in the West. The process leads to total elimination of kerosene in pigment printing and was a real boon to the industry as the use of kerosene resulted in pollution, health hazards and even fatal accidents. BTRA was also actively engaged on a project on energy saving in textile wet processing by process modification and reuse of heat energy at various points taken up under sponsorship of the Tata Energy Research Institute. Meanwhile, bulk trials using a new catalyst system in pigment printing had shown great potential for energy saving in curing operation. BTRA's efforts in setting up a pilot plant for 'Bio-gas' from mill waste had also now given encouraging results. For the present, they were mainly concentrating on chemical processing as it offered maximum scope for energy saving. All the same, they were not lagging behind in other areas and at least one project each on energy saving in the disciplines of spinning and weaving were on hand.

Coal Without Quality

THE RISING trend in the production of coal in India in recent months has received much attention and the Prime Minister, Mrs Indira Gandhi, is reported to have expressed her happiness at this achievement. But she does not seem to be aware of the fact that while the output of coal has been increasing, its quality, far from improving, has been deteriorating. Ever since coal was nationalised, the major consumers have been complaining of fall in quality. The steel, cement, power plants and other consumers have from time to time pointed out that the supply of sub-standard coal has not only affected their production but also created many technical difficulties in their operations. The Coal Consumers Association of India has made numerous representations to the Central Government in the past, stressing the urgent need for measures to remove extraneous materials like stone and shale, reduce the ash content, and supply coal of the right size but these pleas were practically ignored. It remains to be seen therefore if the Association's latest memorandum, submitted to the Union Energy Ministry a few days ago, will evoke a favourable response.

Over-sized Coal

The Association has mentioned the specific nature of the problems created for the various major industries on account of the impurities in the supply of coal. The power plants, especially in West Bengal, have been unable to maximise generation because of the use of over-sized coal. There are, of course, other constraints on the power plants, but this impediment has been persisting for a long time. The Chief Minister of West Bengal, Mr Jyoti Basu, has on many occasions made this complaint to New Delhi, but the latter does not seem to have taken serious notice of it.

In his press conference in Calcutta on October 19, the Union Energy Minister, Mr Ghani Khan Chaudhury, made some comments regarding the quality of coal. He said that whatever coal was being imported was for reasons of quality. He revealed that the Centre had taken up a programme for importing machinery for setting up modern washeries. He admitted that the power plants had some real grievances regarding the supply of coal, but suggested that they should also instal the necessary devices to make the best use of the coal supplied to them. The Minister revealed that about 100 coal handling plants would be installed at the pit-heads and railway sidings by the end of 1982 for improving the quality of coal.

It is indeed encouraging to note that the Energy Minister has started giving attention to measures to remove complaints regarding quality. But what immediate steps are being taken to deal with this situation? The import of the necessary equipment and its installation will take time. In the meanwhile, the Government should examine in what manner it can provide some relief to consumers in the near future. The Coal Consumers' Association has been making several suggestions for this purpose such as joint inspection and sampling and screening, but these and other methods do not seem to have been tried seriously. Had the Energy Ministry and the Association closely and sincerely cooperated with each other in improving quality, the import of coal could have been avoided at least to some extent and industrial production in general could have been given a bigger impetus.

At his press conference, the Energy Minister firmly turned down the demand by the private sector for permission to re-enter the coal industry. Some business organisations in Calcutta have been demanding that the private sector should be allowed to develop virgin coal-bearing areas and also to participate actively in raising the production of coal. But Mr Chaudhury emphatically asserted that this would not be permitted "under any circumstances". He added that in the past when coal was almost wholly in the private sector, the latter had done "infinite damage" to the mines. Whatever might have been its record in the pre-nationalisation period, is it right to take a rigid view in this matter at a time when there is an urgent need to step up production steadily and also improve the quality of coal? It will, of course, be undesirable to allow the re-entry of the private sector into the coal industry in an indiscriminate manner. But what objection can there be, apart from ideology, to permit companies with a clean record of efficient management in contributing to the expansion of this industry?

The Energy Ministry has lately shown a greater awareness of the various problems confronting the coal industry. It is essential that the Ministry should also give proper attention to measures to provide the consumers with the type of coal they need.

Labour and East India Cotton Mills

THE MEMORANDUM recently submitted to the Union Commerce Ministry by the West Bengal Cotton Textile Workers' Federation has revealed some interesting aspects relating to the working of the textile industry in this State and in the eastern region in general. The Federation has said that over 40 per cent of the installed capacity of the mills belonging to the National Textile Corporation (NTC) has been remaining idle and that no systematic efforts are being made to step up production. The management of these mills has blamed the scarcity of raw materials and power as the major constraints, but the Federation is not convinced by this explanation. It has said that the management has not made adequate efforts to augment the supply of raw

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materials. Nor has it cared to instal captive generating sets in all the mills of the NTC and that wherever this has been done, attempts have not made to make the best use of this facility. The Federation has observed that even when normal power is available, not more than 60 per cent of the installed capacity is being used.

The Federation has disclosed that the entire processing plant of the Gentral Cotton Mill was kept idle for about six months because of the shortage of just 1½ kgs of caustic soda. It has also strongly criticised the failure of the management of the NTC mills to take timely and effective measures to implement schemes for modernisation. It has said that while the relatively small units have been recieving attention in the matter of modernisation, the large composite mills are being ignored.

R. J. Venkateswaran writes from Calcutta

The Union Commerce Ministry should look into the specific charges made by the Federation and find out to what extent they are justified, It may be that the Federation is exaggerating some of the faults of the management. Even so, a probe is necessary to ensure that in the coming months the same mistakes are not repeated.

But the more important issue relates to the role of labour. The Federation, of course, cannot be expected to highlight labour's failure to play a constructive part. But its complaints about the management would carry greater conviction if labour had been more cooperative in the working of these mills. It has been well known for a long time that the workload and productivity of labour in the textile industry in the eastern region has been far less as compared to the other regions. It is officially estimated that labour employed in the mills is 84 per 100 looms against the all-India figures of 56. It is 10 per 1000 spindles against the all-India average of seven. Cannot the Federation do something to improve labour productivity and to accelerate the process of modernisation ?

The NTC has 18 mills in the eastern region, of which 14 are located in West Bengal, two in Bihar and one each in Orissa and Assam. It has been incurring heavy losses which are estimated at Rs 10 crores during 1980-81. Both the management and labour therefore should closely cooperate with each other in improving the industry's profitability.

Meanwhile, the Government of India should reconsider its attitude to the scheme of freight equalisation for raw cotton. The mills in the eastern region have to transport cotton from a distance of 1500 kms, which adds to their cost of production. They have also to carry much higher stocks of raw cotton. If the Government cannot afford to equalise the freight for cotton, it should provide concessions in some other form to improve the working of these mills. Incidentally, what has happened to the proposal of some States in this region to grow cotton ? West Bengal made some attempts to encourage the cultivation of cotton, but these do not seem to have made any progress. The State Governments concerned have also to play a more positive role to ensure the development of the textile industry on healthy lines. The Government of West Bengal in particular should try to improve the availability of power for the mills so that, apart from increasing production and reducting costs, they can expeditiously implement the scheme of modernisation. The West Bengal Cotton Textile Workers' Federation ought to facilitate this process. While taking care to protect and promote labour's legitimate interests, the Federation should sincerely cooperate with the management in improving the industry's viability.

ITDC: Good Going

THE ITDC which is India's largest hotel accommodation chain is celebrating something special this month—the commemoration of the 25th anniversary of Ashok Hotel in Delhi. Consisting of 21 hotels (including two beach resorts, three forest lodges, fourteen restaurants, seventeen transport units and three sound and light show), the ITDC has emerged as a major contributor to India's efforts in developing tourism.

In the last seven years the ITDC has earned profits amounting to Rs 28.6 crores. Last year its foreign exchange earnings increased from Rs 53 crores to Rs 63 crores. The table below gives a partial picture- the financial performance of Ashok Hotel—of ITDC performance.

Employing a little over 7,200 persons the ITDC is seeking to break new ground in tourism. It has developed wildlife sanctuaries and other similar spots of tourist attraction to provide for foreign as well as the domestic tourists. A new scheme envisages the setting up of a separate company in each State with nearly equal quity participation by the ITDC and the State Governments/Corporations. Medium price hotels are going to be set up in the States so that the common man can benefit. Such collaboration has already been formalised for hotels in Gauhati, Bhopal, Puri, Goa and Hyderabad. The ITDC has also started operations abroad and its recent projects include a hotel in Cyprus and two in Iraq.

Amongst the projects where work is progressing are the Ashok Yatri Niwas, Hotel Kanishk Ashok and Kautilya.

Ashok Hotel—Financial Performance

(Rs in Lakhs)

	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81
Turn-over	259.17	319.36	350.16	413.69	455.33	541.42	658.73	682.32	675.88	811.57
Operating profit & loss	—	80.52	98.48	116.41	151.34	146.44	233.25	242.75	227.66	273.57
Net Profit	18.68	27.06	44.94	52.89	93.23	123.05	154.54	168.70	137.47	171.02
Occupancy	63%	69%	71%	72%	74%	80%	89%	85%	74%	67%

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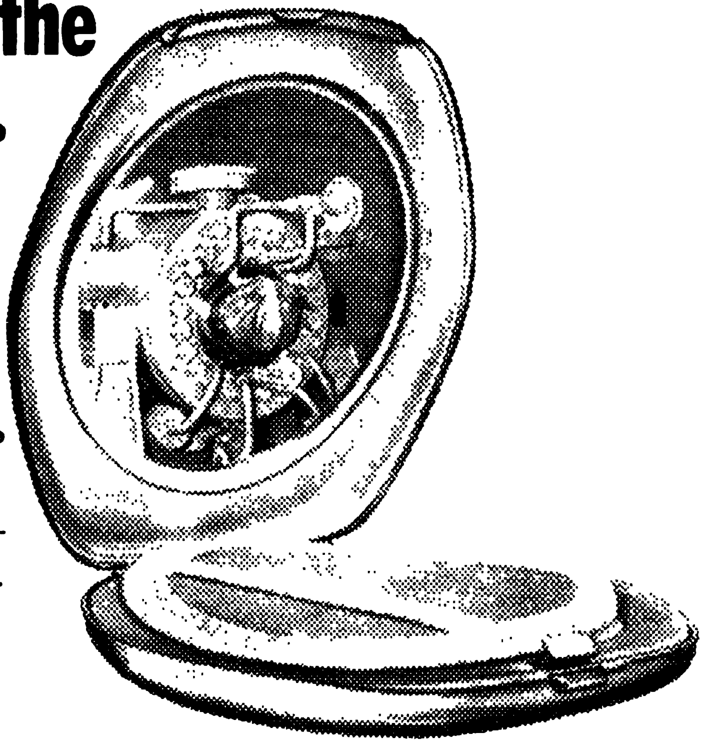

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Window on the World

A Tactical Manoeuvre

V. Balasubramanian

IN A tactical manoeuvre against Third World chatter about "global talks" on a "new economic order", the Reagan administration is advertising what amounts to a religious faith in the existing international institutions, including the development assistance agencies. It has thus come a long way from the Republican platform which had posed as a presidential campaign pledge the virtual dismantling of the structures of multilateral lending to Third World countries.

The Treasury Department, to be sure, has not changed its mind about its argument that the United States ought to be giving less and less to the multilateral development assistance agencies and indeed to foreign aid programmes of all kinds, since its domestic priorities are for cutting Government spending across the board. Nor has the administration as a whole relented on its almost fanatical insistence on developing countries trusting their economic future to the "magic of the market place", the phrase which the President dropped for an audience, both amused and amazed, to pick up, when he addressed the Fund-Bank session recently.

Second Thoughts

Second thoughts have arisen in the area of strategy, for the President's counsellors have realized that the world, not excluding even those industrial countries which may be expected to share the Reagan administration's cynicism about development assistance, is not ready to wish away the multilateral agencies.

The revised line of attack, therefore, is not to aim at demolishing these institutions, but at diminishing their role, while remoulding the character of their operations in ways which would flatter the social and economic perceptions of American conservatism in the domestic and the international contexts. When ringing this change in tactics, the Treasury Department, however, started by committing some serious blunders, among which were the rhetorical questioning of IMF practices in permitting access to developing countries to its facilities and challenging the concept of concessional lending through the International Development Association. But when the Reagan administration found that not even Britain, Japan or West Germany was prepared to go with it in pressurising the IMF to tighten "conditionality" requirements, on the premise that it has been too lax or lenient in this respect, it began to change its tune recently to claim that all that it really sought was to make it clear to the Managing Director of the Fund that he was expected to stay on the high conditionality track that he had been treading latterly.

Small Talk from Washington

Now, faced with a French and possible Canadian threat to side with the "South" in its demand for "global talks" on a "new world order", the Reagan administration is leaning heavily on its current thesis that the international community already has, in its existing institutions, all the tools it needs or can use for practical and meaningful cooperation between the industrial countries and the developing world. Evidence of this was freely forthcoming when the President addressed the World Affairs Council of Philadelphia on October 15. To quote:

"The GATT, the World Bank and the International Monetary Fund represent free associations of independent countries who accept both the freedom and the discipline of a competitive economic system. Let's look at the record of international growth and development under their auspices:

"From 1950 to 1980, GNP per capita in 60 middle-income countries increased twice as fast as in the industrial countries when real purchasing power is taken into account.

"From 1951 to 1979, industry and manufacturing in developing countries also expanded at a faster annual rate than their counterparts in the industrial countries.

"Since 1960, export volume for the developing countries, excluding OPEC, grew between six and seven per cent a year. Growth was particularly strong in manufactured exports, and even some low-income oil importers participated in this trend.

"And concessional assistance grew by 50 per cent in real terms during the 1970's".

Reagan proceeded to point out: "Progress is also evident in the evolution of the international institutions themselves. Today approximately two-thirds of the members of GATT are developing countries, whereas only one-half were developing countries when it was created. Also, the resources of both the World Bank and the IMF have increased dramatically, as has the participation of developing country members".

The Track Record

It is not merely good but great, of course, that the President of the United States has so emphatically acknowledged the worth and value of the international institutions which the policy positions taken by his party not so long ago had clearly not endorsed. Unfortunately, his present stance is not as reassuring as it needs to be because his administration's track record in ministering to the needs of the multilateral development institutions has not been quite helpful.

Having decided to cut domestic social

programmes drastically, the Reagan administration has been obliged to prune allocations for IDA-VI, or other development assistance commitments. Even so, the uniformly negative attitude which the US delegation had adopted at the recent Fund-Bank meeting to each and every suggestion for increasing the resources for concessional development lending has a lot to explain. It cannot but engender the suspicion that the President's litany in praise of the international economic institutions is merely a tactical ploy for countering Third World arguments that conceptual and structural changes may be needed in the economic relations between the industrial and the developing countries so that the latter may receive an adequate transfer of resources through various mechanisms, such as trade, investment flows and development assistance. The President underlines the dramatic increase in the resources of the World Bank and the IMF and yet it is precisely this trend which his administration is seeking not only to arrest but to reverse. Reagan points to the growth of concessional assistance by 50 per cent in real terms during the 1970's as a gain for the international economic community and yet his administration has not only clipped the wings of IDA-VI but also placed a large question mark against the funding of any further phase of replenishment.

Using the Clout

Worse still, the President's aides are constantly talking of using the clout which their Government has, as the largest single contributor to Fund or Bank resources as well as the wielder of decisive blocks of voting strength, to force these institutions to adopt attitudes or implement policies which would promote the political and economic goals of American foreign policy. That this talk has to be taken seriously is evident from the caveat entered by the President of the World Bank against attempts at politicising multilateral development lending. Without making any direct reference to Reaganite postures, but clearly suggesting where his apprehensions lay, Mr Clausen said in a recent interview to *The Washington Post* that the essence of the concept of multilateral development assistance was that this assistance should be non-political and that it was therefore important that the various agencies which dispensed such assistance should be kept functioning that way.

Methane from Peat Bogs

A new environmentally clean method for the extraction of methane gas from peat bogs has been developed by the Swedish firm of Vyrmetoder AB, reports the National Swedish Board for Energy Source Development (NE), which has granted Kr. 3.9 *million* ($700,000) *to the company to facilitate the construction of an experimental plant.*

The new method which can be used throughout the year, is based on a circulation process whereby certain bacteria which are active at low temperatures, are induced to produce methane gas, which is absorbed by the peat bog water. The water is pumped to a nearby plant for separation of the gas and is then returned. The absence of mechanical treatment means that environmental damage is minimal.

Vyrmetoder AB will build and operate the new plant over a three-year period, during which they will also be responsible for processing and distribution to a nearby farm. The facility will comprise five units with an aggregate output of 500 *KW. NE's decision to extend the loan is based on the successful results obtained at two pilot plants, where production has amounted to* 20-40 *mg of methane gas per litre of peat bog water.*

Meanwhile it is an open secret that the Managing Director of the IMF has been definitely unhappy both as regards the manner in which the general soundness of the Fund's access policies has been sought to be debated by Reagan administration spokesmen and as regards the much publicised resolve of Treasury Secretary Regan to ask "a lot of questions" about the proposed loan to India with respect to "conditionality and other things".

The point is that, even if only in the interest of its chosen strategy for trying to stop Third World demands for conceptual or institutional restructuring of North-South economic relations, the Reagan administration has to do better than it is now doing to make other countries believe in its current protestations of enthusiasm for existing multilateral development assistance agencies. To start with, the US needs to realise that its credibility as a champion of existing international institutions, such as the IMF and the World Bank, against institutional innovations favoured by many other countries, including some of the developed, is bound to suffer unless the impression is erased that it is planning to introduce ideological or political considerations into the role of these institutions by interfering with their functional autonomy.

Next, it has got to give practical proof of a serious intention on its part to let these institutions continue to grow in resources and operations at a time when the objective circumstances of the world economy are such that external adjustment processes are apt to make more onerous demands on the oil-importing low-income developing countries than on other national economies. In other words, the United States ought to give up contending that the control of inflation in industrial countries must necessarily exclude all efforts at sustaining rates of resources transfer that are needed to keep Third World economies staying on a course of growth, however modest.

Finally, the Reagan administration ought to give up marketing obsessively and ostentatiously through the IMF or the World Bank or similar institutions, the model of capitalist development of the US in the 19th century to Third World countries, or, the market economy models of some East Asian or Latin American countries to certain other developing countries in Asia, Africa or Latin America. It is quite true, certainly, that a whole lot of Third World economies could benefit greatly by encouraging saving and investment, foreign capital and a free and open economy to a much greater extent than they have done or seem willing to do. But imported political education, forced down their throats, is not going to make them wiser. They have to learn it the hard way, largely through a process of trial and error. In any case, outside interference, however well-intentioned, could surely be counter-productive.

Aid Flows in 1980

REAL AID (from the OECD) rose in 1980 by some nine per cent or from 0.35 to 0.37 per cent of GNP. But this relatively favourable result was to some extent influenced by the irregular timing of funds paid to multilateral institutions, in particular the International Development Agency.

Members' performance in 1980 was supported by the continuing upward trend in the ODA of such donors as the Netherlands, Japan and France; and a noteworthy encouraging development was the increase—quite sharp in some cases—in 1980 in the ODA provided by some countries whose ODA/GNP ratio has traditionally been below the DAC average, such as Austria, Italy, Finland and Switzerland. However, some other members experiencing high rates of inflation were unable to keep pace with prices and in some instances encountered difficulties in protecting ODA allocations from the impact of budgetary restraint.

In spite of serious economic difficulties the Netherlands in 1980 again allocated resources corresponding to about 1.2 per cent of GNP to development co-operation. As a result of an increase in bilateral aid, and in particular of loan disbursements, the Netherlands ODA reached a record level of 0.99 per cent of GNP in 1980 (0.93 per cent in 1979). In view of the continued high level of budgetary resources devoted to ODA, the Netherlands net disbursements may be expected to remain in the vicinity of one per cent of GNP.

In 1980, France increased both bilateral and multilateral disbursements and its ODA progressed as a share of GNP from 0.59 per cent in 1979 to 0.62 per cent in 1980.

Australia's ODA/GNP ratio declined from 0.52 per cent in 1979 to 0.48 per cent in 1980. ODA prospects are being affected by the Government's overall expenditure restraints and these are likely to limit progress towards the 0.7 per cent target in the near future.

After rapid progress in 1978 and 1979, Germany's ODA disbursements in 1980 increased by only 4 per cent (in national currency) and declined slightly in relation to GNP (from 0 44 per cent in 1979 to 0.43 per cent in 1980). Over the next few years, further aid increases are to be expected following the decision by the Government to increase aid appropriations of the Ministry of Economic Co-operation by a rate at least double that of the Federal budget.

Canada's ODA/GNP ratio continued to decline in 1980 to 0.42 per cent—its lowest level since 1973. In 1980, the Government announced its intention of reversing the downward trend of aid by accepting an appropriations target of 0.5 per cent of GNP for the middle of the decade and of 0.7 per cent for the end of the decade.

After having reached the exceptionally high level 0.52 per cent of GNP in 1979, United Kingdom ODA net disbursements dropped sharply in 1980, by 15 per cent

Concessional Assistance by Non-OECD Members 1975-1980
(Net Disbursements)

Donor Country	As per cent of GNP						$ million		
	1975	1976	1977	1978	1979	1980	1975	1979	1980
Algeria	0.28	0.37	0.24	0.18	0.87	0.21	41	272	83
Iraq	1.64	1.44	0.33	0.76	2.60	2.19	218	868	854
Kuwait	8.11	4.52	10.02	7.36	4.08	3.87	976	1,053	1,186
Libya	2.30	0.63	0.65	0.99	0.51	0.92	261	118	281
Qatar	15.62	7.95	7.90	3.56	5.89	(5 28)	339	277	299
Saudi Arabia	5.62	5.13	4.09	2.27	3.08	3.66	1,997	2,298	3,033
UAE	11.68	9.21	8.05	4.82	6.17	3.96	1,046	1,171	1,062
Arab Donors	4.99	3.83	3.75	2.39	2.86	2.66	4,879	6,057	6,798
Iran	1.12	1.43	0.29	0.37	0.03	0.03	593	21	29
Nigeria	0.04	0.19	0.13	0.16	0.04	0.05	14	31	42
Venezuela	0.11	0.33	0.35	0.27	0.17	0.23	31	82	130
Non-Arab Donors	0.55	0.67	0.21	0.24	0.07	0.09	638	134	201
Total OPEC	2.59	2.14	1.91	1.29	1.51	1.46	5,517	6,191	6,999
USSR	0.07	0.10	0.10	0.10	0.13	0.14	517	1,403	1,580
Eastern Europe	0.07	0.08	0.07	0.09	0.09	0.06	225	358	237
Total CMEA	0.07	0.09	0.09	0.10	0.12	0.12	742	1,761	1,817
For Reference Total DAC	0.36	0.33	0.33	0.35	0.35	0.37	13,840	22,413	26,708

Source : OECD Secretariat except for GNP figures for OPEC countries which were supplied by the World Bank.

(in national currency) to 0.34 per cent of GNP—its lowest ratio reported so far. To a large extent this reflects the fact that the United Kingdom did not deposit any promissory notes to IDA before the end of the calendar year 1980 (as compared with $ 479 million in 1979) and also that drawings by some of its major recipients, notably India, were slower than anticipated. While an increase in the United Kingdom ODA/GNP ratio can be expected in the current year, future ODA volume prospects will be affected by the Government's policy of overall public expenditure restrictions.

According to the most recent White Paper on Public Expenditure published by the British Government on March 10, 1981, the aid budget is to be cut by 15 per cent in real terms during the period 1980-1981 to 1983-1984.

In 1980, Japan substantially exceeded its target of doubling ODA between 1977 ($ 1.4 billion) and 1980 when net disbursements reached $3.3 billion and 0.32 per cent of GNP, up from $ 2.6 billion and 0.26 per cent of GNP in 1979. Further increases in ODA may be expected on the basis of the Japanese government's declared intention to extend during the years 1981-1985 at least double the amount of ODA disbursal during the previous five years, while endeavouring to increase the ODA/GNP ratio.

Procedural Delays

After falling in 1979 to the lowest figure recorded so far as a share of GNP (0.20 per cent) United States ODA recovered to 0.27 per cent in 1980. The low 1979 figure was due to procedural delays in completing capital subscriptions to multilateral development banks, and the 1980 recovery was largely accounted for by note issuances during the year of $ 1.9 billion. The administration's budgetary requests for the fiscal year beginning in October 1981 provided for a modest increase in bilateral ODA The United States authorities have stated that they will honour internationally negotiated multilateral commitments but that contributious will be made over an extended period of time. United States ODA may be expected to decline somewhat in the near term. Longer run prospects for United States aid are uncertain given the administration's decision to reduce the growth of federal expenditure.

—Excerpted from the OECD Observer, July 1981.

British Recovery

TRADE FIGURES for September—the first monthly statistics to be published since February—contain welcome signs that economic recovery in Britain may be on the way. The figures, released on October 20, by the Department of Trade, show that British exports in September were up 14 per cent by value (500 million pounds-sterling) and six per cent by volume compared with their average level in January and February. The increase was widely spread across all commodity groups.

Imports for the month showed a sharp recovery from their depressed levels at the beginning of the year and rose in volume by 24 per cent. This was seen in Whitehall as an indication that destocking by industry may be at an end—a strong sign of recovery in the level of economic activity. Officials sounded the note of caution, however, that it is always unwise to read too much into a single month's figures and that the disruption in the production of trade statistics (due to industrial action) for a period of six months before September could have distorted that month's figures to some extent. Nevertheless, the current account of the balance of payments was estimated to have been in surplus by 147 million pounds-sterling in September. The favourable balance of trade in goods was 13 million pounds-sterling, with imports at 4,446 million pounds-sterling, and exports 4,459 million pounds-sterling and the account in invisibles—such as banking, insurance and aviation—was projected to be 134 million pounds-sterling in surplus.

Oil exports for the month at 290 million pounds-sterling were a record—some 70 million pounds-sterling higher than the average level for the first two months of the year and more than the entire 1980 oil surplus of 273 million pounds-sterling. The so-called "erratic" items, which include ships, North Sea oil Installations, aircraft and precious stones, showed a 30 million pounds-sterling favourable balance compared with 7 million pounds-sterling in January/February. Another noticeable feature was a particularly strong performance by British companies in the North American market. Exports there rose in September by 52 per cent above their average for the first two months of the year. The generally excellent showing by the UK's exporters was considered all the more welcome because the substantial fall in the sterling exchange rate since the spring could not measurably have affected export prices in September. From October onwards, however, the lower exchange rate should be reflected in increased competitiveness in most of Britain's important overseas markets.

It will probably be towards the middle of 1982 before the full backlog caused by the six-month break in publication of the trade figures can be overtaken. However, figures for imports for March and April, also published on December 20 would indicate that when the full balance of payments current account for those months is available there will be large surpluses. This is because imports were still sharply depressed at 3.5 per cent less than the already low figures for January/February, and all the indications are that exports will be shown to have performed well in the March/April period. The latest estimates for the current account for the years 1979 and 1980, just published, show that a 900-million pounds-sterling deficit in 1979 was turned into a 3.2 billion pounds-sterling surplus in the following year.

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Chief Executive

Loan from the IMF

Is It a Red Rag?

S. C. Maheshwari

The author stresses that it is important that the money borrowed from the IMF is utilised for improving the lot of those people who still live below the poverty line. He believes that it is not necessary to presume that the IMF will impose draconian conditions if the bargaining power of the Government is strong and India has a comfortable foreign exchange reserves position.

THE ISSUE of about $5 billion (equivalent to approximately Rs 5,000 crores) loan from the International Monetary Fund to India has developed into an embarrassing controversy. There are those who object to the proposal vehemently while others support it in unequivocal terms. The opponents of the proposal have their reasons. Contrary to proclaimed democratic precepts, the public has been kept in the dark and a free and frank national debate has been pre-empted. The undue secrecy surrounding the negotiations with the IMF has aroused suspicions that there is something disconcerting about the whole affair and also that New Delhi is buckling under. While the critics of the proposal see in the step economic slavery to an international financial institution, others with far more rational approach also doubt the wisdom of the step. They fear that there would certainly be strings attached to a loan of this quantum which the IMF is certainly not giving us out of its kindness of heart.

No doubt we need funds (as also do most of the developing countries) for implementing our ambitious sixth five-year Plan. Our foreign exchange reserves position is also not an encouraging one. The IMF has acknowledged that of last year's total surplus for the oil exporters of $118 billion, the oil importing developing countries have accounted for $60 billion in the form of budgetary deficits. For this year, the deficits of the developing oil importing countries are expected to go up to $80 billion. Hence the corresponding imbalance in payments situations all over the Third World. Can the IMF help the developing countries to tide over their economic difficulties? This calls for a closer look at the multi-faced IMF.

The role of the IMF in sorting out balance of payments difficulties has always been questionable. While most of the developing countries look upon it as lender of the last resort, and regard financing as the essential role of the IMF, the developed countries, headed by the USA, think "the key to the IMF is its role in encouraging, in fact requiring that countries using its resources adopt sound economic policies designed to correct their balance of payments problems". But the measures prescribed by the IMF in the name of "sound economic policies designed to correct their balance of payments "problem" have unfortunately been not happy. For instance, in 1966, the IMF had prescribed 36 per cent devaluation of the rupee, and India agreed to take the prescribed medicine in June of the same year in the hope that this would increase its exports by about 48 per cent. But the increase never occurred: on the contrary, the price index rose by 22 per cent in 1966-67. Once bitten twice shy holds good now, for India is no longer in that miserable position to eat the humble pie.

The quantum of loan is massive and as such it attracts the "conditionality" clause of the IMF. Under the "conditionality" clause, the IMF is authorised to call for examination the relevant material and data having a bearing upon India's economic policies and practices. The IMF has the right to make "suggestions" in regard to the credit, tax, investment and borrowing policies of a country requesting for financing of the imbalance in its payments position. The IMF's suggestions are based on a "macro" evaluation of the borrower's financial position, but on some occasions, its experts have not hesitated in resorting to micro level investigations into a borrower's economic policies and practices. This has kept many developing countries away from the IMF umbrella.

The IMF's usual package involves wiping out budget deficit, tightening money supply to control inflation, cutting all subsidies, loosening controls on the economy (allegedly to increase production) and, paradoxically, liberalising import controls. The general preference is for a more open capitalist economy, with a premium on "efficient" economic management. In practice, however, the IMF package often backfires. The slashing of subsidies means raising the prices of all the subsidised items. In India's case, these items include food, fertiliser, electricity, bus and rail fares, and a host of other sensitive areas. Similarly, slashing Government expenditure to wipe out fiscal deficits usually means cutting back on social welfare budgets that are of help to the poor—education, health, nutrition, children's feeding programmes. Loosening controls on the economy could mean forcing a sharp policy turnround in the majority of developing countries with socialist aspirations. Devaluation too could prove counter-productive as exports become more competitive whereas imports become more expensive, so that the balance of payments could in fact deteriorate.

However, we should not ignore the fact that as on June 30, 1980, the external debt on the country had reached the staggering figure of Rs 15,360 crores and our current loan request is also for a horrendously large sum. Actually, a stage has now been reached where the external assistance received year after year goes in meeting interest liability and the outstanding loans have to be rescheduled in most countries. There is widespread suspicion that the IMF extracts from countries like ours the proverbial pound of flesh, posing generosity perhaps over interest rates but placing clamps on the independence of our economic policy and barring whatever progressive orientation we might choose for ourselves.

The Fund has often managed to touch a raw nerve in the Third World countries that seek its loans. Tanzania recently withdrew its loan application after the IMF insisted on specifying how exactly President Julius Nyerere should run his country's economy. In Morocco, the Government under the IMF diktat slashed the food subsidy and raised food prices. Other instances abound. Sri Lanka and Turkey had both negotiated large loans from the IMF, but both loans eventually had to be called off because the concerned Governments found it impossible to push through the kind of policies which the IMF wanted. It may be pertinent to quote here from the report of the Brandt Commission: "The developing countries—and also on occasion some industrial member countries including Italy and United Kingdom—have been critical of the IMF's conditionality. They feel that the Fund has tended to impose conditions which go beyond its legitimate interests of ensuring that it gets money back on the due date within the framework of the Fund's Article, since these can be satisfied by far less regorous programmes .... in practice the Fund often seems to assume that any country that needs to borrow conditional liquidity must have been incompetent or careless at running its affairs and is, therefore, likely to benefit from some guidance from a disinterested party".

But certain reasons are compelling for this biggest ever loan negotiated with the Fund (equal to two-thirds of the Fund's total lending last year). The reasons are obvious. With oil prices zooming (last year's trade deficit was a staggering Rs 5,500 crores, a figure equal to India's total imports not so long ago) the country's foreign exchange reserves are now barely adequate to pay for four months' imports, against the equivalent of 10 months a couple of years ago when the reserves were in fact embarrassingly large. The trade deficits are likely to remain large, what with oil prices staying high and with imports of wheat, edible oils, sugar, cotton, fertiliser and all manner of other goods being freely ordered.

However, it is not necessary to presume that the IMF will impose draconian conditions on the recipients. The IMF varies its "conditionality" according to the bargaining power of the Government concerned. Our economic condition is not so dismal as to place us at the mercy of the IMF. India has a comfortable foreign exchange reserves of about Rs 4,000 crores but this is not sufficient to tide over the adverse balance of payments position and, therefore, we can clinch the deal with eyes open. If the terms and conditions are not detrimental to national interests, we should go in for this loan by taking the whole nation into confidence so that doubts do not linger in the public mind.

In short, it must be kept in mind that a bad mason will play havoc with his tools even if provided with the best material. So, borrowing the sum is not the sine qua non but what is more important is its proper utilization, especially for improving the lot of those who still live below the poverty line. Financial economists and intellectuals need not be so fussy about this deal if the Government can sincerely assure and convince the whole nation of achieving the desired objective.

Needed : Discipline from Within

Virendra Agarwala

The author believes that the proposed IMF loan is unlike the drawals in the past. The general policy of import liberalisation will lead to balance of payments problems and give the IMF the power to impose its own style of economic discipline. He fears that a casualty of this discipline could be the food for work programme and the public distribution system which offers some protection to the poor.

INDIA REMAINS among the ten countries with the slowest pace of economic development in the world. But far more serious than this is its utter failure to check the growth of population. While the country's population grew by 23.80 per cent between 1961 and 1971, it has increased by 23.75 per cent in the last decade. This has totally belied the statements that were being made by the Government till only a few months ago, that since 1978 the rate of growth of population has been below two per cent a year. The average growth rate for the seven-year period 1974-81 is more than 3.6 per cent' while the country's national income grew at 4.3 per cent between 1974 and 1979 against 3.4 per cent in the previous 11 years.

The average income per person in the industrialised countries rose by over $6,500 between 1950 and 1980. The per capita Gross National Product rose nearly 2.5 fold from $640 to $1,580 during the period in the middle income nations, while in the low-income nations, it rose from $170 to $250 on an average. It may be mentioned here that the middle-income nations are those whose per capita GNP is below $370. In fact, some US economists refer to the low-income nations as the Fourth World countries. The World Bank Report 1981 lays stress on adjustment programmes, on monetary and fiscal aspects including exchange ratio revisions. Presenting a ten-year perspective, it says that uncertainty surrounds the prospects of commercial capital the developing countries would be able, or would be willing, to borrow. The Bank does not foresee any significant change in the North-South trade flows, while the intra-Third World trade will go up considerably.

The report also projects a lower rate of growth of Gross Domestic Product for the oil-importing developing nations. While the annual GDP growth was 5.1

per cent during the Seventies, the ten-year projection foresees an annual increase of five per cent during 1980-85 on the high side and 3.8 per cent on the low side during the first half of the current decade. It is widely appreciated that the Third World nations should better utilise the next decade for accomplishment of long overdue agrarian reforms. Improved incentives, adaptive research, higher investment, elimination of inefficient marketing systems and improved irrigational infrastructure are equally essential. In other words, there is a crying need for the expansion of the internal market without which even industrial development faces the gloomy prospect of stagnation.

Alarming Indebtedness

The World Bank has described India's economy strong enough to meet the total liabilities. India's internal as well as foreign indebtedness has grown rather rapidly in the recent years. Internal debt increased to Rs 34,459.90 crores in March, 1981 from Rs 29,008.49 crores in March, 1980. External debt shot upto Rs 12,316.58 crores from Rs 11,316.30 crores in the same period. Debt service payments comprising amortisation and interest amounted to Rs 884 crores in 1979-80. A hundred-fold increase in Government indebtedness in quite alarming in the sense that it will have serious implications on the future generation.

There is nothing basically wrong with indebtedness if it helps in accelerating the process of growth and the country acquires economic strength to repay it. It is equally true that India has never been a defaulter and all foreign debts have been settled whenever they have fallen due. It is obligatory on the part of the authorities to negotiate only for that deal which could prove beneficial to serve the national interests rather than go in for such a massive deal that an international agency finds it convenient to lay down such secret conditions which may ultimately prove counter-productive.

The Indian Government has been holding what officials describe as 'explorating talks' with the International Monetary Fund on what will probably be the largest loan this country has taken from this institution. Various credit facilities of the IMF are to be tapped for this loan. The size of the loan has not been finally decided as yet, but India has a total entitlement of 7,800 million Special Drawing Rights. While the loan is expected to be much less than the entitlement, it will be 'substantial' enabling the country to overcome its current balance of payment problems. Last year, India raised about one billion dollars from the IMF. The problem arises mainly from the widening balance of the trade gap which is estimated at a record of Rs 54 billion in 1980-81. This is more than double that in the previous year and has led to a steady erosion of foreign exchange reserves. The reserves are still comfortable around about Rs 40 billion, but they have been dropping at the rate of more than one billion rupees a month for the past year or so. Apart from the balance of payments problems, which are mainly due to the high-cost imported crude oil, petroleum products and fertilisers, India has yet to find Rs 50 billion abroad to fund its sixth five year Plan, which is now in its second year. A steep rise in petroleum prices and a massive loan from the IMF will lead to further deterioration in the value of Indian rupee —a disastrous step for the Indian economy.

Special Kind

It is widely appreciated that the IMF loan under its extended financing facility is a special kind of loan and must be distinguished from loans drawn on conventional lines in the past from the World Bank or other sources, bilateral or multilateral. The proposed IMF loan is also unlike drawals in the past from the IMF itself. It is widely appreciated that a general policy of import liberalisation in the present conditions is now leading the country along a suicidal path of borrowing from the IMF on an unprecedented scale, which will only postpone the day of reckoning with the balance of payment problems, and will give the IMF the power to impose its own style of economic discipline. One of the first casualties of such discipline might well be the 'Food-for-Work' programme and the public distribution system which offer some protection to the poor in our country. It will surely close our options of independent negotiations for commercial borrowings abroad. It also needs to be stressed that the recent large-scale borrowing from the IMF by some under-developed countries has simply meant a surrender of their economic sovereignty. This is the path that we as self-respecting nation, can hardly afford to follow.

Economic Discipline

Economic discipline is neither pleasant nor popular. What we need today is 'discipline from within' which necessarily implies that we should refuse to surrender our economic sovereignty to the IMF at any cost. If our balance of payment situation is getting out of control, then there is no other choice but to place such restrictions on our imports that we import only that which is absolutely essential for building a self-generating economy. It is no use importing every possible commodity from outside whichever is found in shortage at home The Prime Minister is deeply concerned about the rising inflation at home which has threatened the entire process of planned development. The wholesale price index (1970-71 = 130) rose from 225.1 as on December 1, 1979 to 279.1 for the week ended June 27, 1981—an increase of 54 points which works out to an increase of 25 per cent over a year and a half. (currently the index is around 285). This has caused concern and the Government must take drastic steps to mop up excess liquidity in the economy. It is rather unfortunate that whatever measures the Government has so far taken to restrain the budgetary deficit have miserably failed to produce the desired results. What is considered absolutely necessary today is to take urgent measures to contain growing population, on the one hand, and to take decisions which will result in faster growth of employment-potential schemes, on the other.

The sixth Plan needs to be so modified that it is not required to depend on foreign resources of a high order. The Government can certainly turn the corner on the economic front if it decides to concentrate on raising production at all levels, which can go a long way to contain price inflation at home.

Electronic Instruments and Medical Electronics

ELECTRONIC INSTRUMENTS have been broadly classified as test and measuring, analytical, geoscientific microwave and nuclear instruments. At present there are about 200 units mostly in the small scale sector manufacturing electronic instruments of a wide variety. Oscilloscopes (50 MGz), signal generators, pH meters, conductivity meters, spectrophotometers and a variety of other instruments are being produced. The geoscientific instruments are in most cases custom built by the various research laboratories. The nuclear instruments mostly used in the atomic energy programme cover radiation monitoring instruments such as geiger counters, scintillation spectrometers etc. The microwave instruments cover the frequency counters, VSWR meters, noise meters etc.

Proposals for the manufacture of ocilloscopes above 100 MGz and also oscilloscopes upto 100 MGz with storage capacity, digital volt and phase meters, field intensity meters, spectrum analysers, noise meters etc. were considered.

Wide Applications

Electronic instrumentation is finding a wide range of applications in a variety of a new areas such as agriculture, mining, textiles, jute, leather, environmental monitoring etc. The demand for electronic instruments would to a large extent, depend on user acceptability. Some of the instruments having scope for manufacture are given in list I. Proposals for the manufacture of these instruments including collaborative ventures were being considered.

The manufacture of medical electronic equipment requires very close interaction with the users, the physicians. There are six units in the organised sector and 15 in the small scale sector manufacturing medical electronics equipment.

Production during 1983-84 is expected to be around Rs 21 crores. Applications for licences and approvals are encouraged. State public sector units are also being encouraged. Foreign collaboration are considered on merits. The items being produced in the country is given in list II.

List I

Agri-electronic Instruments : (i) Solid and grain moisture testers (ii) Solid density measuring instruments (iii) Portable pH meters (iv) IR spectrophotometers with recorders (v) Ultrasonic scanograph (vi) Fat and protein content testers for milk (vii) Testurometers (viii) Tenderometers for fruits and vegetables (ix) Foetus monitor for livestock.

Mining Electronic Equipment : (i) Logging devices for finding out the thickness of various types of rocks in bore holes, water tables, and for the measurement of strata temperature, density and radioactivity. (ii) Exploders for underground use for gassy mines (iii) Control of overwinding, speed, slackness of rope incorporating safety devices for rope failure (iv) Monitoring systems for methane, carbon monoxide carbon dioxide, oxygen and also for temperature, pressure, air velocity, humidity, dust concentration etc. (v) Booster fan control, sequence control for spontaneous heating in mines (vi) Temperature indicators, fire alarm detectors for spontaneous heating in mines. (vii) Intrinsically safe dialling type automatic telephone system (viii) Communication and Telectrol equipment (ix) Mines safety equipment.

Instruments for Textile Industry : Yarn testers (ii) Fibrograph (iii) Moisture meters (iv) Photoelectric level indicators (v) Auto levellers , (vi) Loom turning indicators.

Instruments for Jute Industry : (i) Moisture meters (ii) Photoelectric yarn irregularity recorder and slub counter (iii) Fabric porosity meters (iv) Lusture-brightness meters (v) Yarn hairness testers (vi) Silver regularity recorders.

Environmental Monitoring Instruments : (i) Water analysis kits (ii) So analysers (iii) Specification electrodes (iv) Dissolved oxygen monitors (v) Turbidity meters (vi) Gas chromatograph (vii) Non-dispensive infra-red analysers.

List II

Life Saving Kind : (1) D:C. Defibrillator (2) Pacemaker (non-implantable)

Other kind : (1) Electrocardiograph (ECC) Machine with recorder (2) Telemetery system for ECC recording (3) Automatic recorder (4) Cardioscope (5) Cardiac monitor (freeze and non-freeze types) (6) Cardiotape (7) Synchroniser (8) Cardiotacograph (9) Heart rate alarm unit

Intensive Coronary care unit (2) Life pack (3) Channel monitor scope (4) Patient monitoring system (5) Patient selector (6) Dual monitor (7) Bed side monitor (8) Operating room monitor (9) Multichannel recorder (10) Central monitoring system (11) Crash cart (12) Instrumentation trolley.

(1) Blood pressure monitor (2) Respiration monitor (3) Pulse/heart rate monitor (4) Temperature monitor (5) Blood cell counter (6) Electronic Stimulator (7) Electro thermometer (8) Electronic manometer (9) Electro derometer (10) Polygraph (11) Expirograph (12) Renograph (13) Oxymeter (14) Thumbo electrograph (15) Graph digital reader.

(1) Electroencephalograph (EEG Machine) (2) Echoencephaloscope (3) Electro canvulsive therapy (ECT) apparatus (4) Electro myograph (EMG) machine (5) X-ray epuipment (6) X-ray image intensifier and CCTV system (7) Nuclear medical scanner (8) Electronic labour indicator (9) Electric paging system.

(1) Respirator (2) Incubator (3) Diathermy machine (ultrasonic or microwave) (4) Audiometer (5) Hearing Aids (6) Foetal heart detector (ultrasonic) (7) Foetal heart monitor (ultrasonic) (8) Ultrasonic medical therapy equipment (9) General purpose physiological oscilloscope (10) Ultrasonic hospital cleaning system (11) Medical spectro photometer.

—Hardev Singh

STATE OF THE ECONOMY

Rabi Production

MR S.P. MUKERJI, Secretary, Union Department of Agriculture, Government of India, has urged the representatives of the State Governments to prepare a pragmatic action plan to augment the rabi production so that any loss in agriculture production in the kharif due to intermittent dry spells in certain areas and prolonged drought in States like Karnataka is offset. Presiding over the inaugural session of the two-day Southern Regional meeting on agricultural development programme for 1981-82 at Bangalore recently, Mr Mukerji observed that this meeting was very important as it was being held at a time which could be described as 'Watershed between kharif and rabi' and provided an opportunity to review the kharif losses, if any, in the current kharif season.

Mr G.V. Viswanath, Secretary, Department of Agriculture and Animal Husbandry, Government of Karnataka, welcomed the participants. After hearing the general situation reports from the representatives of the Southren State Governments, the meeting divided itself in to six working groups to review the existing situation in the respective fields and formulate, for immediate implementation, pragmatic proposals regarding agricultural credit, rabi campaign including pulses, oilseeds, forestry, soil conservation, wild-life preservation, animal husbandry, fisheries, agricultural marketing and exports.

Release of Sugar

The Government of India has ordered the release of 200,000 tonnes of freesale sugar and 271,000 tonnes of levy sugar i.e. a total quantity of 471,000 tonnes of sugar for internal consumption for November, 1981. The entire freesale quota of 200,000 tonnes has been released from the existing stocks of sugar available with the sugar factories. No freesale sugar has been diverted towards levy on loan basis for November 1981 and alternative arrangements have been made for meeting full requirements of levy sugar needed for distribution through fair price shops in November, 1981. A close watch is being maintained on price trends and if the situation so warrants, additional quantity of imported sugar may be released for sale in open market to further augment the overall supplies of freesale sugar.

MRTP Amendment Bill

The Union Law Minister, Mr P. Shiv Shankar, informed the Parliamentary Consultative Committee attached to the Ministry of Law, Justice and Company Affairs that a bill to amend the MRTP Act would most likely be introduced in the winter session of the Parliament. He assured the members that his Ministry had taken care not only to take into consideration the recommendations made by the Sachar Committee in this regard but also had attempted to improve upon them in order to make them more relevant in the changed economic conditions and developing situation.

Some members of the Consultative Committee, which had a two-day session in New Delhi on October 21 and October 22, expreseed their eagerness on early implementation of the Sachar Committee recommendations. Suggestions were made that Government should take care to see that the proposed MRTP amendment bill really helped towards restricting growth of monopolies.

The Law Minister made it clear that the Government was fully committed to the directive principles of the State Policy as embodied in Article 39(B) and (C) of the Constitution. The approach in the amendment bill was prcisely in this direction, he emphatically stated. The purpose of the amndement bill, the Minister stated, was to ensure that the operation of the economic system did not result in the concentration of wealth and means of production to the common detriment. The members discussed in detail the working of the Company Law Board and made special mention of the successful efforts being made by the board to clear up the pending cases before it.

Sugar Output

Sugar production during the 1980-81 season was 51.43 lakh tonnes as against 38.5 lakh tonnes in the previous year. stocks with the factories at the end of September were 779,000 lakh tonnes as against 597,000 lakh tonnes at the same time last year.

According to the Indian Sugar Mills Association, the total offtake in 1980-81 was 48.99 lakh tonnes for domestic consumption and 60,000 tonnes for exports as against 51.09 lakh tonnes for domestic consumption and 230,000 tonnes for exports during the season.

Production during September, the last month of the season, was about 45,000 tonnes this year as against 13,000 tonnes last year. In the last fortnight of the month, production was 21,000 tonnes as against 5000 tonnes during the same fortnight last year.

Despatches during this month were 475,000 tonnes for domestic consumption as compared to 327,000 tonnes last year. Sugar offtake from factories during the second fortnight of the month was about 254.000 tonnes as against 162,000 tonnes during the same fortnight last season.

TREAME Recommendations

Top Railway Executives of Asia and the Middle East (TREAME) observed on the final day of their ten-day session in Delhi that there were several areas of cooperation which could be developed in the field of multi-modal transportation. They said that tourism was a new growth area for the railways and requested the Economic and Social Commission for Asia and the Pacific (ESCAP) to assist the railways in member countries in cultivating professionalism in tourism and in overcoming the problems of shortage of tourism expertise.

The delegates noted with appreciation the experiment of Indian Railways in introducing "Palace on Wheels" and observed that it was a major step in providing facilities to large groups of tourists to travel by night and save on hotel costs.

The conference requested the ESCAP to organise research and investigation for the setting up of Tourism Facilitation Units (TFUs) in member countries. These units should have regional linkage so that the railways are able to offer attractive and comfortable rail package transcending national barriers. The conference felt that experiences of some of the regional railway like the Indian Railways were ideally suited for adoption as a part of intermodiate technology transfer schemes relevant to the railways of the region where capital was and would continue to be scarce.

The role of railways in the development of inter-modal traffic was discussed in depth. The delegates felt that container was the most economic means of integrating the use of different modes for movement and containerisation of rail cargo offered a relatively easy solution to the problems of transhipment of freight from one guage railway to another gauge railway system besides providing security against pilferages.

The conference observed that concrete sleepers with elastic fasteners on rail tracks were most suitable for heavy density routes. It recommended that an indepth study should be undertaken to develop an ideal concrete sleeper for use on such routes in member countries.

The conference decided to recommend to the ESCAP to initiate a scientific management development programme in member countries by a group of experts. A regional Management Development Institute in the ESCAP region should be set up. The ESCAP was also reported to assist in the setting up of Rail Transport Institutes in member countries.

The delegates adopted a resolution to set up a Railway Co-operation Group (RCG) under the aegis of the ESCAP for promoting economic and technical cooperation among the railways of member countries. The RCG would be headed by a project coordinator.

In the ten-day conference of TREAME, forty delegates from 18 countries, i.e., Australia, Bangladesh, China, Hong Kong, India, Iran, Japan, Malaysia, Nepal, New Zealand, Pakistan, Philippines, Thailand, Vietnam, the United Kingdom, the USSR, Saudi Arabia and Syria participated. Four delegates from ESCAP, including the Executive Secretary of the ESCAP, S.A.M.S. Kibria, also participated in the conference.

New Cell to Save Energy

A new modular cell design and a new processing step to produce a completely anhydrous cell-feed—improvement due to researches at the Cen- Electro-chemical Research nstitute (CECRI), Karaikudi—are not only likely to reduce he cost of production of electrolytic magnesium, but, qually significantly, also effect avings in electrical power consumption.

In spite of its being 30 per cent lighter in weight than aluminium, magnesium is not able to compete at present with aluminium in many structural uses because of its high cost. The CECRI's inexpensive processing step yields a completely dehydrated magnesium chloride fit for use in the electrolytic cells, which could operate at 80 to 90 per cent current efficiency as against 70 to 75 per cent obtained in the present practice, with practically no consumption of graphite electrode. This development is likely to bring down the production cost of magnesium metal to a significant extent, enabling magnesium to compete with aluminium as a structural material.

The Tamilnadu Industrial Development Corporation has decided to adopt the new cell and its feed in their proposed 600 tonnes per annum commercial plant to be set up in the public sector.

Ripe Coconut Water Utilisation

Ripe coconut water need no longer be wasted now as a result of a simple technique developed by the Regional Research Laboratory (RRL), Trivandrum, for upgrading and preserving it in bottles. The advantages of bottled coconut water over traditional tender cononut water, consumed largely as a cool drink during summer, are obvious. Tender coconut water, because of its poor keeping quality, can reach only places not far from production centres while the bottle-preserved coconut water can have market throughout the country and through all seasons. What is more significant from the economic point of view is that the process is aimed at waste utilization.

Kerala alone, for instance, produces more than four billion coconuts per annum of which 50 per cent is used for copra-making. Ripe coconut water available to the tune of 270 million litres from copra-making units in the State is at present wasted. The method of upgrading ripe coconut water to the level of tender one and preserving it in bottles would, when adopted, be an additional income to copra-making units. Manufacturers of desiccated coconut and partially defatted coconut gratings would also benefit. Technology for making defatted coconut grating is already available to the industry. Furthermore, the technique for upgrading and preserving ripe coconut water could obviate the need to harvest tender coconut for beverage purposes.

It has been found that bottled coconut water has a long storage life, of more than two months, at ambient temperature. Consumer evaluation studies have also shown that the product is fully acceptable. The process is also technically feasible and economically viable and can be operated by small-scale units near copra-producing areas. Also, the plant and machinery required for commercialising the process are indigenously available.

NAL Develops Two New Probes

The National Aeronautical Laboratory (NAL), Bangalore, has developed an angle of attack sensor and a total air temperature probe, which form vital inputs to an air data computer in an aircraft and thus contribute significantly to the success of an aircraft's operational mission.

The angle of attack sensor is used to measure the angle between the fore-aft axis of an aircraft and the wind stream during flight. It automatically rotates the probe until the differential pressure between the two rows of offices is zero, thus ensuring that the two rows are symmetrically oriented with respect to the air stream direction.

The total air temperature probe is used to obtain the static air temperature outside an aircraft during flight. The measurement of static air temperature is essential for true air speed measurements and determination of other jet engine control parameters.

Wholesale Prices Index Moves Up

The official wholesale price index for all commodities maintained its upward trend for the third successive week during the week ended October 10. The index rose to 285.2 (provisional) and inflation as compared with the index for corresponding week last year was 7.8 per cent. The index for non-food articles rose by 0.7 per cent, for paper and paper products by 2.4 per cent, rubber and rubber products by 0.2 per cent, chemicals and chemical products by 0.2 per cent, food products, beverages, tobacco and tobacco products and machinery and transport equipment (all marginal).

The index for food articles declined by 0.2 per cent, for non-metallic mineral products by 0.1 per cent and for textiles marginally.

Remained unchanged were the indices for minerals, fuel, power, light and lubricants, leather and leather products, basic metals, alloys and metal products and miscellaneous products.

NOIDA Entrepreneurs to Get I-T Benefit

Entrepreneurs in the NOIDA industrial complex will be eligible for all the benefits under the Income Tax Act which are admissible to industrialists putting up their units in backward regions. Since the district of Ghaziabad, which covers NOIDA area, is not a backward region, entrepreneurs were in doubt whether they could avail themselves of the income tax concessions provided for backward regions.

The Ministry of Finance, Government of India, has now clarified that industrial units established in the NOIDA complex will enjoy the income tax benefits granted for backward regions, by a notification issued by the NOIDA authorities, according to a UP Government spokesman.

Support Price for Oilseeds

The Government recently announced a support price of Rs 270 per quintal for the fair average quality of groundnut-in-shell for the 1981-82 season as against a support price of Rs 206 per quintal for the 1980-81 season.

The support price of soyabean of fair average quality, black variety, will be Rs 210 per quintal and for the yellow variety Rs 230 per quintal for the 1981-82 season as against Rs 183 and Rs 198 per quintal respectively for the previous season.

The support price for sunflowerseed has been fixed at Rs 250 per quintal for the average quality for the 1981-82 season as against Rs 183 per quintal for the 1980-81 season.

NAFED will continue to be the agency for price support operations to the extent necessary. Support prices have been announced keeping in view the prevailing edible oil situation, to help increase the production of oilseeds and to ensure a remunerative support price to growers.

Textiles Team for Mauritius

The Silk and Rayon Textiles Export Promotion Council is sponsoring a two-member sales-cum-study team to Mauritius to explore possibilities of expanding export trade in silk and man-made textiles to this country.

The team which is expected to leave India on November 1, consists of Mr J.D. Mehta of Indo-text Export House Ltd and Mr Gulab Mohan of Ajanta International, representing man-made and silk sectors respectively.

A spokesman of the council said that arrangements had been made to meet leading importers and to establish new contacts with the help of Indian mission in Mauritius. There is a great demand for Indian silk goods in Mauritius, specially silk sarees, since nearly 40 per cent of the local population is of Indian origin.

In man-made textiles category, India has been exporting so far, mainly traditional varieties of cellulosic items but now is in a position to manufacture and export a wide range of sophisticated varieties in nylon, polyester and acrylic.

The visiting team will get an opportunity to study the existing demand pattern and future trends in Mauritius and also to negotiate and conclude on-the-spot business with the prospective importers.

Salt Advisory Boards Reconstituted

The Union Government has reconstituted the Andhra Pradesh, Gujarat, Maharashtra, Orissa, Rajasthan, Tamil Nadu and West Bengal regional advisory boards for salt under the Chairmanship of Salt Commissioner, Jaipur.

The functions of these boards will be to advise the Central Advisory Board for Salt, Government of India, on the administration of the proceeds of salt cess levied under Section 3 of the Salt Cess Act, 1953 and to make recommendations generally for measures condusive to the development of the salt industry.

Woollen Blanket's Exports

The Indian Institute of Foreign Trade (IIFT) has emphasised the scope for boosting exports of woollen blankets to Kuwait and Saudi Arabia.

According to the institute, the two countries along with Mauritius and Kenya are among the major importers of blankets. In 1978 alone, the total imports of these four countries were worth $898 million of which woolen blankets accounted for $30 million.

The institute, which conducted a survey of these countries, notes that the opportunities in Mauritius and Kenya are however, limited at present in view of their foreign exchange problems.

The main objective of the study was to analyse the markets and suggest suitable measures for sustaining and expanding exports of woollen blankets.

IIFT notes that Mauritius, Saudi Arabia and Kuwait do not have any woollen industry. There are a few blanket manufacturing units in Kenya whose production is confined to synthetic and cotton mixed blankets. Hence the total requirement of the "survey countries" except Kenya is met through imports. Kenya is also importing a part of its requirement, particularly woollen blankets.

There are two distinct market segments in the survey countries. The preference of the institutional sector—defence, police, hospitals and hotels is for woollen blankets. The civilian sector is shifting to synthetic blankets.

In fact a major portion of the "survey countries" imports consists of synthetic blankets. The study maintains that in order to establish itself as a significant supplier of blankets, India will have to cater for the needs of both segments of the survey countries.

Favourable Factor

There are indications that due to increasing labour costs, certain developed countries like Italy, Spain and the UK may curtail their production of blankets. Consequently, their supplies to the survey markets may get reduced in due course. This is a favourable factor which Indian industry should keep in mind.

The institute has made several suggestions for boosting exports to these countries. These include diversification and modernisation of the industry's strong supply base, adequate supply of raw material, appointment of agents in the survey countries, adherence to delivery schedules, participation in trade fairs and proper packaging.

During 1978, India exported 232,000 kg of blankets to Kuwait. Woollen blankets alone account for more than 90 per cent of India's exports to Kuwait.

Likewise, exports of different varieties of blankets to Saudi Arabia during 1978-79 stood at 151,000 kg of which woollen blankets alone accounted for 150,000 kg. Saudi Arabia is well known as one of the biggest markets for woollen blankets. India is a big exporter to this market but its share in Saudi Arabia's total imports is barely 1.2 per cent.

Delhi's Housing Problem

Delhi is getting choked: its burgeoning population, inflow of tourists and jobseekers year-round, acute housing congestion and consequent impact on water and transport are baffling city planners.

The Delhiites are waiting with bated breath for next year to pass: as the Asian Games will attract at least two million people aggravating their misery still further.

These problems were discussed at a seminar on employment—Delhi 1981-2000 under the auspices of the perspective planning wing of the Delhi Development Authority.

The Delhi population is expected to swell to 128 lakh by 2001 AD. This necessitates construction of about 60,000 dwelling units, 21 million gallons of water supply per day and other infrastructure facilities annually.

According to the Registrar General and Census Commissioner for India, the growth of Delhi's population has been an incredible 52.41 per cent compared to the national average of 24.75 per cent in the period 1971-81. Delhi is adding each year about 200,000 persons. The fear is that this would lead to an increase of about 300,000 persons a year by 2001 AD. Of this 128 lakh people estimated in 2001 AD in Delhi, 122 lakh would be

THIS IS ONLY AN ANNOUNCE

Jaiprakash En

(Incorporated on 13th August 19
Registered Office: 44 Basant Lok Commun

ANNOUNCEMENT REGARDING ISSUE OF 8,64,000

THE SUBSCRIPTION LIST WILL OPEN AT THE COMMENCEMENT OF BANKING HOURS ON WEDNESDAY THE 4TH NOVEMBER, 1981 AND WILL CLOSE AT THE CLOSE OF BANKING HOURS ON MONDAY THE 16TH NOVEMBER, 1981 OR EARLIER AT THE DISCRETION OF THE BOARD OF DIRECTORS OF THE COMPANY, BUT NOT BEFORE THE CLOSE OF BANKING HOURS ON FRIDAY THE 6TH NOVEMBER 1981.

Applications have been made to the Stock Exchanges at Delhi and Bombay for permission to deal in and for official quotation for the Equity Shares of the Company.

HISTORY AND BUSINESS OF THE COMPANY

The Company was incorporated under the Companies Act, 1956 in the Union Territory of Delhi on 13th August 1976 as a Public Limited Company and obtained certificate of commencement of Business on 6 9 76 The objects of the Company are fully set out in the Memorandum and Articles of Association of the Company and the immediate object of the Company is to set up a standard category hotel of international standard at New Delhi

PROMOTERS:

The Company has been promoted by the main directors of Jaiprakash Associates Private Limited (JAPL) leading Contractors and Civil Engineers based in New Delhi This Company employing in various categories around 10,000 people and having a turnover of Rs 10 crores has been engaged in the construction of large dams, barrages canals, tunnels, and heavy earthmoving construction jobs in India and abroad Some of the construction contracts of JAPL fully/partly executed and in progress include Salal Hydro-Electric Project, Chilla Hydro Electric Project (Rishikesh), Kudremukh Iron Ore Project, Tehri Diversion Tunnel, Lakhwar and Narmada Dam Project and a turn key contract worth Rs 133 Crores for sewage Project at Baghdad (Iraq)

HOTEL CONSULTANTS & ADVISERS

Jaiprakash Enterprises Limited has entered into technical and Hotel Services agreements with ITC Ltd for providing various technical services during the implementation stage and management and operations consultancy during operations of the hotel ITC Ltd has involved professional staff for the implementation of the project The professional operating staff from WELCOMGROUP ITC Ltd have been seconded to the hotel

PROJECT

The Company has set up a standard category hotel of international standard with 96 rooms in the commercial complex of Rajendra Place, New Delhi. The hotel is centrally located at Rajendra Place, a prestigious commercial complex. The hotel is at a distance of 5 kms. from New Delhi Railway Station, 8 kms. from Old Delhi Railway Station, 9 kms. from Inter State Bus Terminus and 12 kms. from Palam Airport The Government Offices and major shopping centres are within a radius of 5 kms

Adequate infrastructure facilities like water, power, transport communication etc are available

The hotel is centrally air-conditioned It will have 96 double bed rooms and 4 suites with attached bath, running hot and cold water, telephone and 4-channel music in all rooms and public areas It has a convertible banquet-cum conference hall, and Indian/continental restaurant and bar, a speciality vegetarian restaurant, 24 hour Coffee Shop, open air terrace restaurant, swimming pool, health club, shopping arcade, two guest elevators and two service elevators, set of furniture/furnishings used in a first class hotel of international standard, parking space for guest cars and open air banquet lawn Safety provisions for fire escape and fire-fighting have been made in accordance with safety regulations

MARKETING/SELLING ARRANGEMENTS

Delhi being the Capital city of India and hub of Government activity is well connected by air, rail and road with all important tourist centres

ITC will be assistisng in the marketing and selling arrangements The hotel would thus enjoy the advantage of belonging to the WELCOMGROUP Chain of hotels

BUSINESS PROSPECTS

Hotels constitute the basic element of Tourism infrastructure, Tourism is today the second largest industry in the World after oil By the turn of the century it is expected to overtake oil and become the biggest industry in terms of turnover and employment India with its historic background, infinite variety and friendly atmosphere has yet to capture its due share of this cake The ten year plan of Tourism prepared by the Department of Tourism envisages a total outlay of Rs. 1457 crores for expansion of hotel rooms to achieve the target of 3.5 million tourists by 1990 The plan is credited with the creation of 2.5 million jobs over a decade Delhi, the metropolitan city, with its easy access to all important tourist centres coupled with the fact that it is the hub of Government activity has had a demand for hotel rooms that has increased at a much higher pace Its growth as a commercial centre has accelerated this demand With inflation reaching new levels the company will give the public a hotel which has five-star comforts at moderate prices.

SHARE CAPITAL

		Rs
Authorised		
15,00,000	Equity Shares of Rs 10/- each	1,50,00,000
50,000	Unclassified Shares of Rs 100/- each	50,00,000
		2,00,00,000
Issued, Subscribed and paid up		
140	Equity Shares of Rs. 10/- each alloted to the subscribers to the Memorandum and articles of Association as fully paid up for cash at par	1,400
3,77,060	Equity Shares of Rs 10/- each alloted to the Promoters, their friends and associates as fully paid up for cash at par	37,70,600
		37,72,000
Present Issue		
10,62,800	Equity Shares of Rs 10/- each for cash at par	1,06,28,000
Out of the Present Issue		
1,98,800	Equity Shares of Rs 10/- each for cash at par have been reserved for firm allotment to the promoters and their associates, full amount for which has been received	19,88,000
NOW OFFERED TO THE PUBLIC FOR SUBSCRIPTION		
8,64,000	Equity Shares of Rs 10/- each for cash at par	86,40,000

COST OF PROJECT.

The hotel is estimated to cost Rs 375 00 lacs and is being financed as under.

	Rs in lacs
Share capital	144 00
Term Loan from	
I F.C.I.	54 00
I D.B.I.	108 00
I.C.I.C.I.	54 00
Unsecured loans from Promoters	15 00
	Rs 375.00 lacs

BOARD OF DIRECTORS:

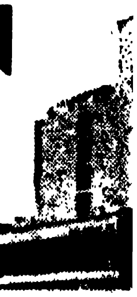
SHRI JAIPRAKASH GAUR
—Managing Director
MISS THANGAM E PHILIP
SHRI VISHNU PUNDALIKA KAMATH
SHRI SURENDRA NATH GADHOKE
SHRI L C GUPTA
SHRI VED PRAKASH GUPTA
SHRI MATUR GOPAL RAO
SHRI M LAL
SHRI SARAT KUMAR JAIN
SHRI DATTARAM GOPAL KADKADE
SHRI DULI CHANDRA SHARMA

TERMS OF PAYMENT

Applications for shares must be for a minimum of 50 shares or multiples thereof and the amount payable on the shares will be as under

On Application: Rs 2 50 per share
On Allotment · Rs 2 50 per share

The Balance of Rs 5/- per share shall be payable in one or more calls as may be determined by the Board of Directors, so that, not less than one month will elapse between allotment and call or between two successive calls and the Company shall give at least thirty days notice for the call(s). In any case the shares hereby issued shall be made fully paid up within one year from the date of allotment



WELCOMGROUP
Hotel Siddhar

EMENT AND NOT A PROSPECTUS

nterprises Limited

976 under the Companies Act, 1956)
nity Centre, Vasant Vihar, New Delhi 110 057

) EQUITY SHARES OF RS. 10/- EACH FOR CASH AT PAR

SECRETARY
Shri S D Nailwal
WB-44, Shakarpur Extn.,
Delhi 110 092

I P Singh & Associates
hartered Accountants,
Hazrat Ganj,
Lucknow (U P) 226 001

SOLICITORS & ADVOCATES TO THE ISSUE
Khaitan & Partners,
Himalaya House, 7th Floor,
23-Kasturba Gandhi Marg,
New Delhi 110 001

MANAGERS TO THE ISSUE
Grindlays Bank Ltd.
Merchant Banking Division,
H Block Connaught Circus,
New Delhi 110 001

PRINCIPAL BROKERS
J C Mehta & Co.,
308 Dreamland,
1/18 B Asaf Ali Road,
New Delhi 110 002.

ISSUE HOUSE
Mehta Financial Consultants & Management Services Pvt. Ltd.
308 Dreamland,
1/18 B Asaf Ali Road,
New Delhi 110 002

UNDERWRITERS

AHMEDABAD
Champaklal Bhailal Chokshi, Near Share Bazar, Manek Chowk
Gordhandas Nathulal Gupta, 2nd Floor, Anandji Kalyanji Bldg., Opp Dhanasuthar Pole, Relief Road
Nareshchandra Lalbhai Parikh, Manek Chowk
Rajesh N Jhaveri, Stock Exchange Building, Manek Chowk

BANGALORE
Bhagya & Co., 8/4 National High School Road,
Jahgirdar & Co., 21, 2nd Main Road, Seshadripuram
L K S Murthy & Co. No 17, 3rd Floor Kempegowda Road.
M Nanjappaiah Jahgirdhar 205 K Kamraj Road
Vijai & Co., 9, 11th Main Road, Malleswaram

BOMBAY
Ajitkumar Chaturbhuj Kamdar, Stock Exchange Towers, 32 East. Wing, 4th Floor Dalal Street
Dalal & Broacha Table 6, 5th Floor, Stock Exchange Towers, Dalal Street
Hiralal Lilladher, 209 Stock Exchange Plaza, Dalal Street
Harkisondass Lukhmidass, 1207 Stock Exchange Towers, Dalal Street
Jaswantlal Chhaganlal, 29 Bhupen Chambers, Dalal Street
J G Shah, Room No 821 Stock Exchange Towers, Dalal Street
Kantilal Chaganlal, New Stock Exchange Bldg , Dalal Street
Kantilal Ishwarlal, 604 Stock Exchange Towers, Dalal Street
Lewis & Jones, Bank of Baroda Bldg . Bombay Samachar Marg
M J Patel, 107 Stock Exchange New Building, Bombay-Samachar Marg
N M Parikh, 220 Stock Exchange Building, Dalal Street
Upendra M Dalal, 604-A, Stock Exchange Tower, 6th Floor
V B Desai, Bhupen Chambers, Ground Floor, Dalal Street
Vithaldas Ranji Marthak, 95 Stock Exchange Bldg Apollo Street
Velji Bhimji & Co., 109 Stock Exchange Plaza Dalal Street
Vinay M Shah, Bazargate Street,

CALCUTTA
Bajranglal Mahabir Prasad, 16 India Exchange Place
Brijnath Khandelwal & Co., 13, India Exchange Place
C Mackertich, 7 Lyons Range
Place Siddons & Gough (P) Ltd , 6 Lyons Range
Sajjan Kumar Saraf, 7 Lyons Range.

COCHIN
A Aaron & Co., Congress House, Hospital Road, Ernakulam

NEW DELHI
Amrit Lal Bajaj & Co., 606 Kailash Building, 26 Kasturba Gandhi Marg
Bharat Bhushan & Co., H-45 Connaught Place
Dev Saigal & Co., 10 Stock Exchange Building Asaf Ali Road
H P Mehta & Co., 602 Nirmal Towers Barakhamba Road
Harbans Singh Mehta & Co , 33 Regal Building, Parliament Street
J C Mehta & Co., 308 Dreamland 1/18 B Asaf Ali Road
Jalan & Co., Stock Exchange Bldg , Asaf Ali Road
L R Munjal & Co., 46 Stock Exchange Bldg , Asaf Ali Road
Raj Paul Chadha & Co., Delite Building Asaf Ali Road
Raja Ram Bhasin & Co., Jewan Mansion 8/4 Desh Bandhu Road
Roshanlal & Co., 42 Stock Exchange Building, Asaf Ali Road
R.K. Chugh & Co., 6 & 54, Stock Exchange Building, Asaf Ali Road.
Surinder Rode & Co., 3-E/12 Jhandewalan Extn , Link Road
R K Ahuja & Co., Stock Exchange Building Asaf Ali Road
Vinod Kumar & Co., A-6 Connaught Place

INDORE
Santhosh & Co., 29 Dhenu Market, SGSITS Road

MADRAS
Kothari & Sons Kothari Bldg Nungambakkam High Road
Paterson & Co., Vanguard House, 3rd Floor 48 Second Line Beach
Venkatraman & Co., 78 Dr Rangachari Road, Mylapore

BROKERS

In addition to the following all underwriters are also brokers to the issue and their names and addresses are given under the heading "Underwriters"

HYDERABAD
Laxminarayan Rathi, 4-5-173 Hasmat Gunj, Sultan Bazar
P B Afzulpulkar, 4 5 195 Sultan Bazar

BANKERS TO THE ISSUE

BANK OF INDIA
4, Parliament Street,
New Delhi-110 001
Or its Branches at

Agra (Belanganj), **Allahabad** (Civil Lines), **Ahmedabad** (Bhadra), **Bangalore** (Kempegowda Road), **Bhopal** (Marwari Road), **Bhavnagar** (Amba Chowk), **Bombay** (M G. Road), **Baroda** (Raopura Road) **Bhuvaneshwar** (Ashok Nagar), **Chandigarh** (Sector 17), **Calcutta** (J.N. Subash Road), **Cuttack** (Chowdhary Bazar), **Coimbatore** (Oppanakara Street), **Cochin** (Mattan Chery), **Gwalior** (Jiwaji Chowk), **Hyderabad** (Namappeli Station Road), **Indore** (Shanta Bazar), **Jabalpur** (741 Jawargan), **Jammu** (Vir Marg, Residency Road), **Jaipur** (Mirza Ismail Road), **Jamshedpur** (Bistpur), **Kanpur** (M Gandhi Road), **Lucknow** (Nawal Kishore Road), **Madurai** (East Awami Mulla Street) **Madras** (Errabalu Chetty Street) **Nagpur** (Kingsway), **Patna** (Fraser Road), **Pune** (Dr Coyagi Road), **Panaji** (Rue de Ormez), **Ranchi** (Main Bazar), **Surat** (Kanpeth Lal Gate), **Secunderabad** (M G. Road), **Srinagar** (Budha Chowk), **Trivandrum** (Palayam), **Varanasi** (Chowk Asha Bhaira)

GRINDLAYS BANK LIMITED
10, Sansad Marg,
New Delhi-110 001
Or its Branches at

Amritsar (Gandhi Bazar), **Bangalore** (Mission Road), **Bombay** (90 M G Road), **Cochin** (Bristow Road), **Calcutta** (10 N Subash Road), **Gauhati**, **Hyderabad** (5-9-235 M.G. Road), **Kanpur** (M Gandhi Road), **Madras** (232 NSCB Road)

BANK OF BARODA
6, Parliament Street,
New Delhi-110 001
Or its Branches at

Agra (13 M Gandhi Road), **Ahmedabad** (Gandhi Road), **Bhopal** (Hamidia Road), **Baroda** (Mandvi), **Bangalore** (Kempegowda Road), **Bombay** (Bombay Samachar Marg), **Bhavnagar** (Bunder Road), **Bulsar** (Near Khatriwad Bazar), **Chandigarh** (Bank Square), **Calcutta** (India Exchange Place), **Hyderabad** (Abid Circle), **Indore** (Sitlamata Bazar), **Jaipur** (Mirza Ismail Road), **Jamnagar** (Ranjit Road), **Jamshedpur** (Main Branch), **Kanpur** (Birhana Road), **Madras** (North Beach Road), **Nagpur** (Dharampeth), **Patna** (Fraser Road), **Pune** (Mollydina Road), **Panaji** (Opp Azad Maidan), **Ranchi** (Main Branch), **Rajkot** (M G Road), **Surat** (Bhagtalav), **Varanasi** (Nichi Baug)

HOW TO APPLY

Obtain copies of the Prospectus and Application Forms from the Registered Office of the Company, Underwriters, Brokers, and Bankers to the Issue and their branches mentioned above

Complete and sign the Application Form (Application must be for 50 Equity Shares or multiples thereof) and deliver together with cash/cheque/bank draft to any of the branches of the Bankers to the Issue mentioned above

Cheques and bank drafts must be drawn on Banks at the places to which they are despatched by post or delivered by hand

Principal Brokers
J C. MEHTA & CO.
308, 'Dreamland'
1/18-B, Asaf Ali Road,
New Delhi-110 002.

Managers to the Issue:

Grindlays Bank Limited
Merchant Banking Division
H-Block Connaught Circus,
New Delhi-110 001.

ISSUE OPENS ON 4TH NOVEMBER 1981

ALREADY IN OPERATION

PRESSMAN

in the urban area and the remaining 600,000 in the rural areas.

Thus, the plan is being accordingly prepared in the hope that regional and national level policies would be forthcoming to reduce the rate of in-migration to Delhi.

The spurt of jobs in Government offices, together with an increasing concentration of trade and commerce and expansion of services and consumer industries in the city is one of the main contributing factors of such a rapid population growth. The other being the lack of such facilities in the small and medium size towns in the region.

On an average in the next two decades Delhi will be required to provide 3 to 4 times more infrastructural facilities than which it has built up so far. Population would double and water supply need would be approximately 2.5 times, power demand five times and the sewerage need six times the existing availability.

Although the work anticipation ratio in Delhi Union Territory during 1971-81 is estimated to remain at 30 per cent, however, trends indicate that during 1981-91 this ratio would go up to 33 per cent and in the following decade 1991-2000 still further to 35 per cent.

As per the 1971 census figures, the working force in different sectors of employment as percentage of total working force were as follows: services 36.73; industry 23.74; trade and commerce 19.92; transport, storage and communication; 9.36; construction 5.30 and agriculture 4.95.

Turbine Monitoring Equipment

Besides its involvement in the nuclear power programme, the Electronics Corporation of India Ltd (ECIL) has also entered the field of thermal power plant instrumentation. The turbine supervisory equipment for 200 MW turbines developed and produced by ECIL have been installed in 15 thermal plants and another 10 such systems are under manufacture.

The turbine supervisory equipment monitors various parameters associated with the turbine. It displays, records and logs the parameters and provides timely information on operational behaviour of the turbine. It also serves as an effective tool for ensuring reliable and safe operation.

The parameters that are being measured/monitored by the supervisory equipment are: axial shift of the rotor (thrust bearing wear), differential expansion between rotor and casing, eccentricity of the rotor, speed of the rotor, overall thermal expansion (shell expansion), position measurement of control valve servomotor and speeder gear motor; seal interference, absolute casing and bearing temperatures and differential temperature.

During the operation, a number of turbine components are subjected to severe stresses because of changes in the various parameters of the turbine at different stages of operation, namely, start-up, loading, load changes and coasting down. These changes have to be accurately monitored to ensure safe and smooth running of the turbines.

Tamil Nadu Power Scheme Approved

The Planning Commission has approved the scheme of Tamil Nadu for the establishment of 110/33 KV sub-station at Adayar and laying of ground cable from Government Estate to Valachery, via Adayar. Estimated to cost Rs 5.39 crores, the scheme is included in the Sixth Plan of the State and is being taken up for implementation during the current year. The scheme envisages laying of 110 kv underground cable with accessories between Government Estate and Valachery substations via Adayar, establishment of 110/33 KV substation with two 31.5 MVA transformers at Adayar, and 110 KV bay extension at Government Estate substation.

New High Thermal Efficiency Stove

To overcome the problems associated with existing stoves as well as to have an improved thermal efficiency, a wick-less stove has been designed and developed by a scientist of the Indian Institute of Science, Bangalore. The thermal efficiency of the stove is of the order of 60 per cent as compared to the wick-stove which has a 40-45 per cent thermal efficiency. It has a less kerosene consumption of the order of 8 to 9 hours per litre. The colour of the flame is blue and is practically free from any soot. The temperature of the flame is also higher than in a wick-stove. There is no unpleasant smell either during operation or at the time of extinction of the stove which is practically trouble free and requires little maintenance.

The new design has the advantages of both the pressure stove and the wick-stove without the problems associated with the pressurised tank or the wicks.

Diesel Component Works at Patiala

The Minister for Railways, Mr Kedar Panday, laid recently the foundation stone of Diesel Component Works (DCW), which the Railways are setting up at Patiala. The factory is to be built in an area of 550 acres at an estimated cost of Rs 60 crores, including foreign exchange content of Rs 10 crores. Land has been provided by the State Government to the Railways free of cost.

DCW will manufacture more than 200 critical components like cam shafts, cylinder heads and liners and gears, which are used on diesel locomotives. It will give extensive repairs to major subassemblies like crank shafts and traction motors after a diesel locomotive has been in service for ten years. It will also "re-build" the locomotive after it has rendered service for 18 years. The factory will have 16 'production shops' and the value of their annual out-turn would be about Rs 40 crores. It will provide employment to approximately 2000 persons.

Railways had a fleet of only 17 diesel locomotives in 1951 but with progressive dieselisation of freight and fast passenger traffic, their number has risen to 2400. These locomotives require timely supply of reliable parts for their maintenance and operations. The existing production units are unable to meet this demand and in some cases parts have to be imported. The setting up of an independent unit at Patiala would enable the railways to conserve foreign exchange and to ensure operational reliability of diesel locomotives.

Railways will also build 1100 quarters and a 50-bed hospital for the staff of the Diesel Component Works.

Names in the News

Mr Harish Bhasin has been unanimously elected the President of Delhi Stock Exchange Association for the year 1981-82. He would be the youngest member ever to be the President. of this association. Mr Bhasin is a well-known figure in financial circles in this country. He is a graduate of Delhi University and is 42 years old. Just after graduation in 1958 at the age of 20 he became a member of Delhi Stock Exchange.

Mr Harish Bhasin

New Delhi International Trade Fair 1981

Trade With GDR

The GDR Economy: An Overview

By the 'Eastern Economist' Staff

A 19TH century Prussian noble called Otto Von Bismarck had a dream—a unified Germany which would be the dominant power in all Europe. He realised his dream all right, but the dream lasted for barely 75 years. Today, Germany is divided again, not as much as it was in Bismarck's time but in just two parts. But what a divide that is. Of the country on one side of that divide, a lot is known. Of the other, very little. Falling behind what Winston Churchill described as the iron curtain, the German Democratic Republic (East Germany) has been going about its business quietly and rather efficiently. And contrary to popular image, it has in its own way, retained an independent identity. For that reason alone, it merits some scrutiny.

When the Second World War ended, the Eastern part of Germany came under Russian occupation and the Western part under Allied occupation. The Eastern part embraced socialism and economically at least (again contrary to popular beliefs) it does not seem to be any the worse off for it. True, the GDR may not be able to boast of the kind of opulence that Western European countries can. But nor does it have to apologise for unemployment and poverty, which can be seen in its counterpart in the West.

Despite what Ian Fleming and John Le Carre might have said, the sun does shine in the GDR. The people there eat and live well—at low and stable prices; (thanks to massive State subsidies food prices have risen by barely five per cent since the early Fifties). The vast majority of people everywhere do not expect much beyond guaranteed work, food and shelter. There is, of course, always a minority to whom the welfare of what one might call, for the want of a more suitable word, the soul takes precedence over the welfare of the body. But whether the soul can express itself meaningfully on an empty stomach is a moot point. A case could perhaps been made out—as indeed it has been—for the liberation of the souls of some of the people of the GDR (and the other East European countries). Leaving such an argument to those who stand to gain by it, it is instructive to look what the GDR has managed to build out of the ruins and ashes of the Second World War.

First, the industrial sector which accounts for 61 per cent of the GNP in the GDR. For a country that has very few natural resources, GDR has done extremely well in becoming a major industrial nation.

Within the industrial sector, the largest share is of electrical engineering, precision engineering and electronics. This is followed by chemicals, mechanical engineering and vehicle construction. Other industry groups are power and fuel, metal manufactures, building materials, textiles and light industry. The general impression is that productivity in the East European countries is usually on the low side, Productivity in the GDR has been increasing at a rate which is respectable even when compared to the trends in the Western economics. Table I summarises these trends. The most dramatic increase has come in the electrical, precision engineering and electronics sector. In 1965 the index number of productivity per worker was 143 (1960=100). By 1979 this has shot up to 367. Similarly, productivity in light industry has also been increasing at a very respectable rate, with the index having shot up from 134 in 1965 to 314 in 1979. The laggard has been the food producing sector where the productivity index has shown a relatively small increase (from 125 to 183).

However, the GDR is self-sufficient in its food requirements and even exports meat. In 1949, total arable land was about 4.8 million hectares. In 1979, this has come down slightly to 4.7 million hectares. The feature that stands out (and naturally so, given the economic system adopted by the GDR) is the increase in the percentage of land farmed by cooperative and State farms. In 1949, barely five per cent of the land was farmed by these. In 1979, their share had gone up by nearly 95 per cent. Simultaneously, the number of persons employed in farming has been going down steadily. In 1965, a little more than a million persons were employed in agriculture. By 1979, the number had come down to 0.8 million. This, however, does not give the total picture because fairly large numbers are still employed in allied agricultural services such as vetenery service and crop protection. In addition, there are also workers and salaried employees, members of production cooperatives and sizeable numbers of apprentices. The number of persons working on their own account has come down very sharply from nearly 15,000 in 1965 to just a little over 6,000 in 1979.

The GDR is heavily dependent on foreign trade. It is, therefore, instructive to examine its structure. The GDR has commercial dealings with over 100 countries. In 1977, the foreign trade turnover was 91,700 million Valuta-Marks (a term used to the foreign exchange equivalent of the GDR's own currency) The biggest trading partner naturally is the Soviet Union. Most of the raw materials come from there as well as equipment and foodstuffs. The Soviet Union also meets all the natural gas requirements, 90 per cent of its oil requirements (the balance comes from Arab countries, iron ore, sawn timber, and cotton goods. Also, 80 per cent of the demand for rolled materials is supplied by the Soviet Union. Machinery and equipment account for over 40 per cent of the GDR's oveall imports from the CMEA countries, It receives equipment for nuclear and thermal power plants, construction machines, and lorries from the USSR, textile machinery and chemical plant from Poland and Czechoslovakia, buses from Hungary, computers, calculators from Bulgaria and tractors and mini-trucks from Romania.

In return, the GDR supplies a wide range of products of its engineering industry. Twentyfive per cent of machinery and equipment imported by its CMEA partners come from the GDR. The GDR also accounts for about 60 per cent of Soviet imports of marine diesel engines, cranes and about 50 per cent of metal forming products and printing presses.

TABLE I

Index Numbers of Productivity Per Person Employed in the Industrial Sector
(Basis Gross Industrial Output)

(Rs in crores)

Industrial sector (excluding water)	1965	1970	1975	1978	1979
			1960=100		
Power and fuel industry	119	165	178	201	207
Chemicals	139	198	278	326	336
Metal manufacture	117	153	205	233	237
Building materials	146	189	251	282	278
Mechanical engineering and vehicle construction	134	179	226	259	272
Electrical engineering electronics, precision engineering	143	196	270	337	367
Light industry (including textiles)	134	183	235	271	282
Textiles	134	186	255	303	314
Food	125	144	172	180	183
Total	133	179	231	266	227

TABLE

India's Trade with GDR

(Rs in crores)

Years	Imports	Exports	Balance of Trade
1969 70	24.3	20.0	—4.3
1970-71	18.6	24.5	+5.9
1971-72	20.3	17.9	—2.4
1972-73	19.2	15.1	—4.1
1973-74	24.8	21.6	—3.2
1974-75	34.3	34.7	+0.4
1975-76	36.6	25.8	—10.8
1976-77	30.8	42.8	+12.0
1977-78	33.9	34.1	+0.2
1978-79	30.7	35.5	+4.8

Source : DGC I&S, Calcutta

TABLE III

Composition of India's Imports from GDR

(Rs in lakhs)

Items	1978-79
Metalliferrous ore and metal scrap	51
Fixed vegetable oils & fats	26
Organic chemicals	69
Inorganic chemicals	29
Fertilizers mfgrs.	705
Rubber mfgrs.	35
Paper mfgrs.	48
Iron and steel	276
Non-ferrous metals	10
Machinery non-electric	689
Machinery electric	189
Scientific instruments	185
Photographic apparatus	17
Total (including others)	3070

Source : DGC I&S Calcutta.

Of late, the GDR has been diversifying its markets and trying to develop its trade with African, Asian and Latin American countries. During 1970-79, the GDR concluded 141 inter-Governmental agrements with 59 developing countries. During this period the GDR's foreign trade turnover with the developing countries more than trippled amounting to Rs 9,591 million Valuta-Marks. In fact, the rate of growth of trade with the Third World has been higher than that of the total foreign trade turnover of the GDR. The GDR is concentrating on the export of plants and equipment for the infrastructure in particular transport and communications, electrification, building material production, textile industry, machine building and some other sectors in which it has the technical know-how and has achieved a significant degree of sophistication.

Meanwhile, it would appear that the

authorities in the GDR have become aware of certain inefficiencies which they are seeking to remove by the introduction of higher technology. By 1985, they hope to reduce the number of hours of labour time per thousand marks of production to 12 hours (from 23 hours in 1970). They are seeking to do this mainly through automation and the five-year plan published recently provides for the production of between 40,000 and 45,000 industrial robots.

The GDR has also made significant progress in the development of micro electronics and according to one report it might even be exporting micro-processor technology to Japan. It, indeed, is a remarkable achievement. (Micro-electronics was developed in the GDR in the course of three years into an industry employing more than 100,000 people). There are indications that there is also growing awareness for more than rational investments and better forms of management. It is not known precisely in what connection or what form these improvements will be made. One thing is certain however : the quest for efficiency will not follow the path the Chinese have adopted, i.e., economic decentralisation.

TABLE IV

Composition of India's Exports to GDR

(Rs in lakhs)

Items	1978-79
Coffee	328
Tea	68
Spices	189
Fruits & Vegetables	44
Fish	13
Crude fertilizers & crude minerals excluding coal	89
Metal ferrous ores & metal scrap	646
Leather & Leather mfgrs.	1295
Cork & Wool mfgrs.	3
Textile yarn & thread	28
Cotton fabrics	18
Jute mfgrs.	87
Made-up articles wholly & chiefly of textile materials	114
Floor coverings	3
Non-metallic minerals mfgrs	16
Pearls & pracious stones	4
Iron & steel	60
Machinery non-electric	28
Clothing	56
Professional & scientific instruments	7
Sport goods	1
Works of art	4
Total (including others)	3550

Source : DGC I&S Calcutta.

Economic Objectives for 1981-85

—The national income is to increase by 28-30 *per cent, and should amount to a total of more than one billion marks in the years* 1981-85.

—Industrial commodity production in the national economy is to be increased by 28-30 *per cent, and in the sector reporting to industrial ministries by* 31-33 *per cent.*

—Labour productivity in industry is to be increased by 28-30 *per cent.*

—The consumption of major energy sources, raw materials and other materials per unit of manufacturing output, is to be reduced by an average of 5.0-5.5 *per cent per annum. The collection and reclamation of raw materials from waste should be increased by* 28-30 *per cent.*

—Total yields in crop production are to be raised to 4.32-4.37 *tonnes of grain equivalent units per hectare of arable land by* 1985. *Sales to the State of fatstock should be increased to between* 2,400,000 *and* 2,420,000 *tonnes by* 1985 *and milk production to between* 6,930,000 *and* 6,950,000 *tonnes.*

—Construction work in the sector reporting to the Ministry of Building Construction should grow by 23-25 *per cent, the average growth in the economy as a whole being* 18-20 *per cent.*

—Freight transport should rise by 11-12 *per cent.*

—Total capital investment in the economy from 1981-85 *should reach* 268,000-272,000 *million marks.*

—Exports to the socialist economic area should be increased by 50 *per cent over* 1980 *levels by* 1985. *Trade relations and economic cooperation with the developing countries should be further extended. Trade and economic relations with the industrialised capitalist countries should be expanded on the basis of equality and mutual benefits.*

—In the period 1981-85, *a total of* 930,000—950,000 *new and modernized dwellings are to be completed,* 600,000 *of which will be new. This should improve the housing situation for a further* 2.8 *million people, whilst maintaining a stable rent system.*

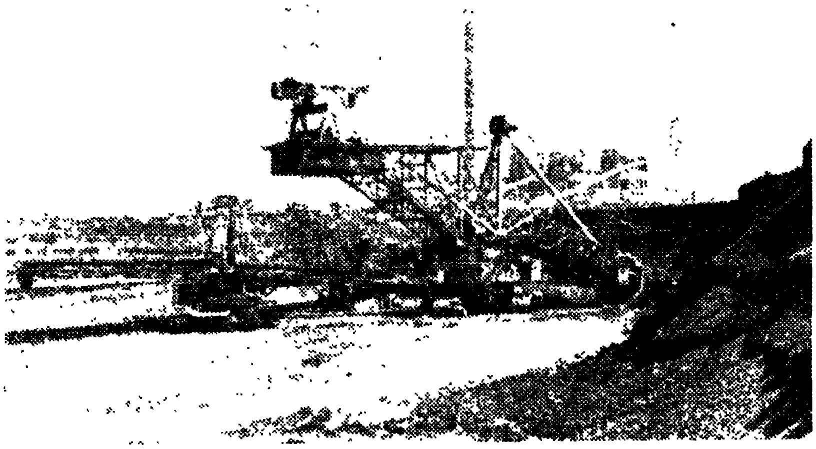
—The net monetary income of the population will be increased by 20-22 *per cent.*

—Retail trade turnover should go up by 20-22 *per cent, with prices for essential commodities remaining stable, and a growing range of new, high-quality consumer goods being provided to meet demand. Goods in all three price groups should be available.*

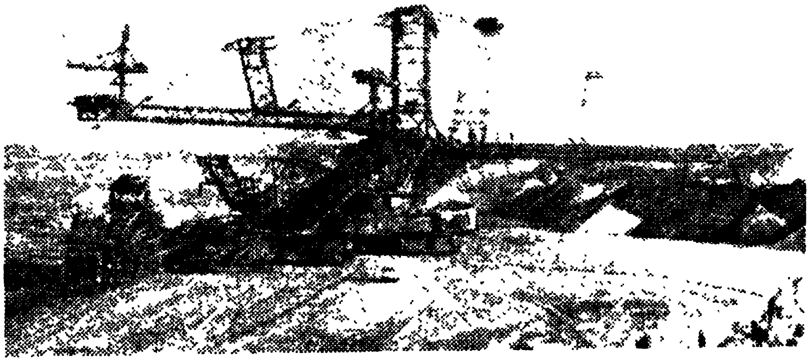
In conclusion, a word about Indo-GDR trade relations which are governed by the non-convertible rupee-payments agreements. The two-way trade between India and the GDR in 1955 was less than Rs 20 lakhs. Since then it has grown quite rapidly and stood at Rs 66.2 crores in 1978-79. However, despite this rapid growth India's share in GDR's foreign trade (and vice varsa) remains miniscule, with India accounting for about 0.3 per cent of both imports and exports of the GDR. Similarly share of the GDR in India's foreign trade is only 0.83 per cent (exports) and 0.6 per cent (imports). India's exports to the GDR consist mainly of traditional items, like tea, oilcakes, leather and leather manufactures, jute manufactures and cotton textiles. (Although the exports of non-traditional items have been growing, they are yet to occupy a signficant place). For its part the GDR exports iron and steel, fertiliser, printing machinery, machine tools, drugs and pharmaceuticals and photo chemicals to India. Tables II, III and IV give a picture of Indo-GDR trade.

Daily capacity 240000 m^3

A new powerful and reliable equipment of the TAKRAF—opencast mining technique



Bucket wheel excavator SRs 6300



Stacker 15 400.120

This equipment is the most powerful and biggest one developed in the heavy engineering combination plant TAKRAF up to now.

Both devices—the bucket wheel excavator SRs 6300 and the stacker 15 400.120—permit an daily output of 240 000m^3 overburden by co-operation with belt conveyors.

Further essential advantages for the operator for increasing the real output of the bucket wheel excavator are the inserting a programme control-/capacity regulation and the drive with adjustable speed.

So the driving speed of bucket wheel excavator is adjusted to the special working conditions.

Exporter :

TAKRAF EXPORT-IMPORT
Volkseigener Außenhandelsbetrieb
der Deutschen Demokratischen Republik
DDR-1080 Berlin, Mohrenstraße 53-54
Telefon 2240, Telex 0112248

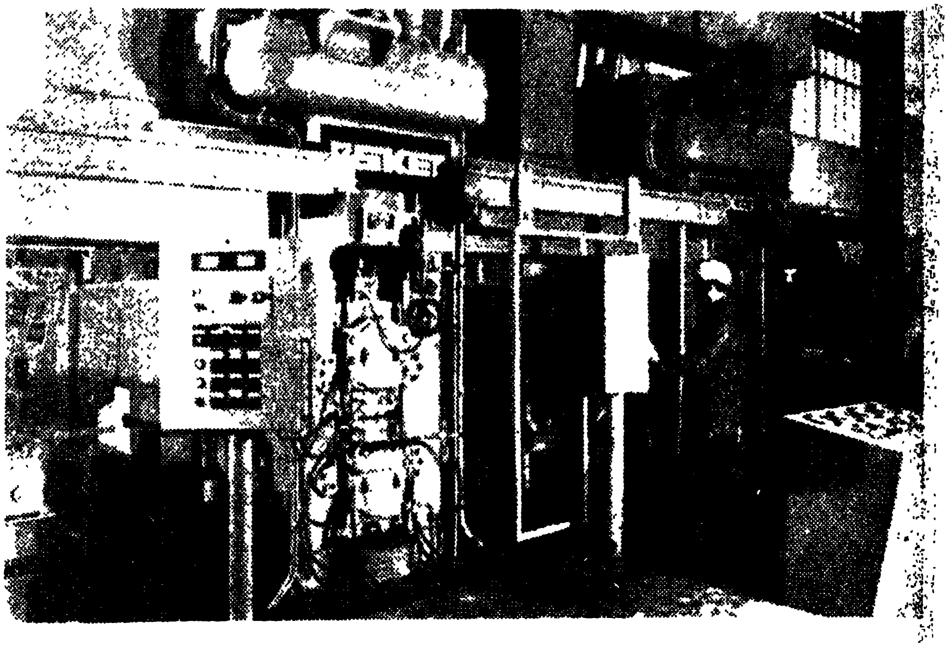
Highly Efficient in Heavy Engineering and Plant Construction

HERVY ENGINEERING and plant construction have been intensively developed in the GDR in order to meet the demand of its own national economy as well as the growing requirements on the world market for complex machinery and services. Big factories have been erected and extended. The leading producer in this field is VEB Schwermaschinenbau-Kombinat "Ernst Thalmann" Magdeburg, "SKET". The principal enterprise delivers complete rolling mills, such as wire mills, fine steel and cold rolling mills, adjustment equipment for wire, rod steel, sheet metal, and tapes as well as metallurgical and heavy load cranes. Cable and twisting machines, rock breakers and plants for salad oil production also are on the production programme of this big enterprise.

The enterprise employs about 14,000 workers, engineers and scientists. In a period of approximately 30 years, it developed, constructed and produced equipment for more than 350 hot and cold rolling mills. In the same period, about 8,000 cable and twisting machines as well as more than 1,000 cranes have been supplied to customers in 40 countries. Products developed by the engineers are of reliable, top-quality as experienced and highly qualified specialists are engaged in the works and due care is taken of the quality.

There is a versatile production programme of the combine for plants and machines for cable and wire rope production as well as for wire processing and wire working-up. To this programme belong complete cable factories, complete wire, wire rope and steel cord factories, wire drawing machines for steel and nonferrous metals, wire annealing plants and winding frames, twisting machines for steel and nonferrous metals, special cable machines, sheathing machines, armouring machines, such as wire weaving frames, wire straightening frames, and wire bending frames as well as auxiliary equipment for wire producing and wire working industry.

A very important enterprise belonging to this combine is VEB Zementanlagenbau Dessau. Their enterprise provides efficient and economic technology for cement clinker burning using the dry process. This technology proved already its worth in a large number of cement plants supplied to many countries. The enterprise supplies complete cement factories using the dry process having a clinker throughput for every technological line of up to 4,000 t/d. Furthermore, "SKET" delivers complete cement factories or partial plants using the half-drying process and wet process, crushing plants, rotary kiln plants, drying plants, pneumatic hoisting plants, machines and equipment for coarse and fine classification and for selective limeslaking.



Control of a SKET cold rolling tandem plant

In Magdeburg, called the "town of heavy machine constructors", is situated another big enterprise, VEB Schwermaschinenbau "Karl Liebknecht". Here are manufactured ship and industrial diesel engines, diesel generators and Diesel electric stations.

A partner for agreements on supply of complete plants for the chemical industry and fields related to it is the foreign trade enterprise Chemieanlagen Export/Import. It offers plants and equipment for chemical industry and also scientific and technical know-how and licences. The production profile of this branch of industry is determined in the long term by plants for VC and PVC production, for butadiene extraction, plant for simultaneous production of sulphuric acid and portland cement on the base of phosphoric acid gypsum as well as by natural gas refining plants. In addition there are plants for extraction of normal paraffin and for sewage cleaning. Plants for sugar factories as well as alcohol and soda are exported.

To the section of equipment also belong, among others, machines for distillation, extraction, evaporation, heat transmission, for filtration, centrifuging and agitation as well as filling stations.

TAKRAF Technique for Ports and Shipyards

In the heavy engineering branch of industry TAKRAF of the GDR machinery for open-cast mining is produced and also equipment for the solution of transport, transshipment and storage problems. It has 40,000 employees. The enterprises belonging to it have decades of experience in designing and production of complete plants and individual devices. On the world market. TAKRAF products are well known due to their high technical level and their reliability. Production profile is subdivided into five fields :

—Equipment devices for winning, haulage and storage of minerals in open-cast mining, including briquetting factories;

—Harbour cranes;

—Freely movable cranes,among others, railway slewing cranes, truck mounted and crawler mounted slewing cranes;

—Bridge cranes, diesel fork lifts, small-size hoisting devices and other equipment for rationalisation of internal transport and storage economy;

—Equipment for haulage technique, such as pneumatic haulage plants, bucket excavators, worm conveyors, mixed cargo loading conveyors and others.

Capacities of this branch of industry grew through construction of new factories, extension of existing factories as well as through the introduction of modern production technologies.

Harbour Cranes from the Biggest European Special Enterprise

Close to Berlin, capital of the GDR, there is located the district town Eberswalde. Here VEB Kranbau Eberswalde has a large factory in operation. It is the biggest European special enterprise for harbour cranes. With 3,500 employees, it produces in up-to-date plants using scientific technologies a large number of big harbour cranes of top quality. During the last three decades, VEB Kranbau Eberswalde produced for its customers from twenty countries approximately 3,000 harbour, shipyard and assembly cranes that have proved to be reliable in daily operation.

It cannot be over emphasized that every harbour has its own problems with transshipment of mixed cargo and bulk goods. The Eberswalde enterprise has over seventy years' experience in harbour and shipyard crane construction. Therefore, it is capable of tackling even difficult situations according to local conditions. This is also ensured through the variety of types of cranes that it manufactures such as :

—Harbour cranes for transshipment of mixed cargo;

—Portal slewing luffing cranes with single-control luffing device, type EWK, in several dimensions with lifting force of 3.2 to 10 t;

—Harbour cranes for transshipment of mixed cargo and bulk goods;

—Portal slewing luffing cranes with double-control luffing system, type DWK, in several dimensions with lifting forces of 5 to 63 t;

—Harbour cranes for transshipment of mixed cargo and heavy cargo as well as containers up to 40′;

– Portal slewing luffing cranes with double-control luffing system, type DWKK, in several dimensions with lifting forces of 10 to 16 t;

– Portal slewing luffing cranes with double-control luffing system, type DWKM, in several dimensions with lifting forces of 12 5 to 32 t;

—Harbour cranes for transshipment of bulk cargo combined with banker and conveyor plant;

—Portal tower slewing luffing cranes, type TWKS, in several dimensions with lifting forces of 32 to 150 t.

Satisfied Customers in all Continents

Reports from all continents bear out users' satisfaction with harbour cranes from Eberswalde. They are working in seaports and river ports of the USSR and other socialist countries, in the countries of Asia, Africa and Latin America. One of the biggest supplies of the enterprise to overseas markets was that of 227 cranes for Brazilian ports within two years.

Portainers and transtainers from the GDR have particularly proved their worth. These and other big devices for loading and unloading of container vehicles, bearing the TAKRAF mark, are used in the container terminals of many ports. At present, container transshipment devices from VEB Verlade und Transport Anlagen "Paul Frohlich", Leipzig are under mounting in the Mexican ports Salina Cruz and Coatzacoaloos. The 75-metre high crane having a total length of 90 metres is earthquake-proof and is adapted to climatic conditions of Mexico. In West European ports, too, in Antwerp, Rotterdam and Hamburg TAKRAF cranes, are in use.

For construction, extension as well as modernisation of ports, it is not only harbour cranes that are necessary. VEB Schwermachinenbau-Kombinat TAKRAF supplies motor vehicles and mobile rotary cranes, railway rotary cranes, container transshipment equipment, dump spoiling and recovery devices, storage unloading scrapers, fork lifts—a whole range of haulage equipment.

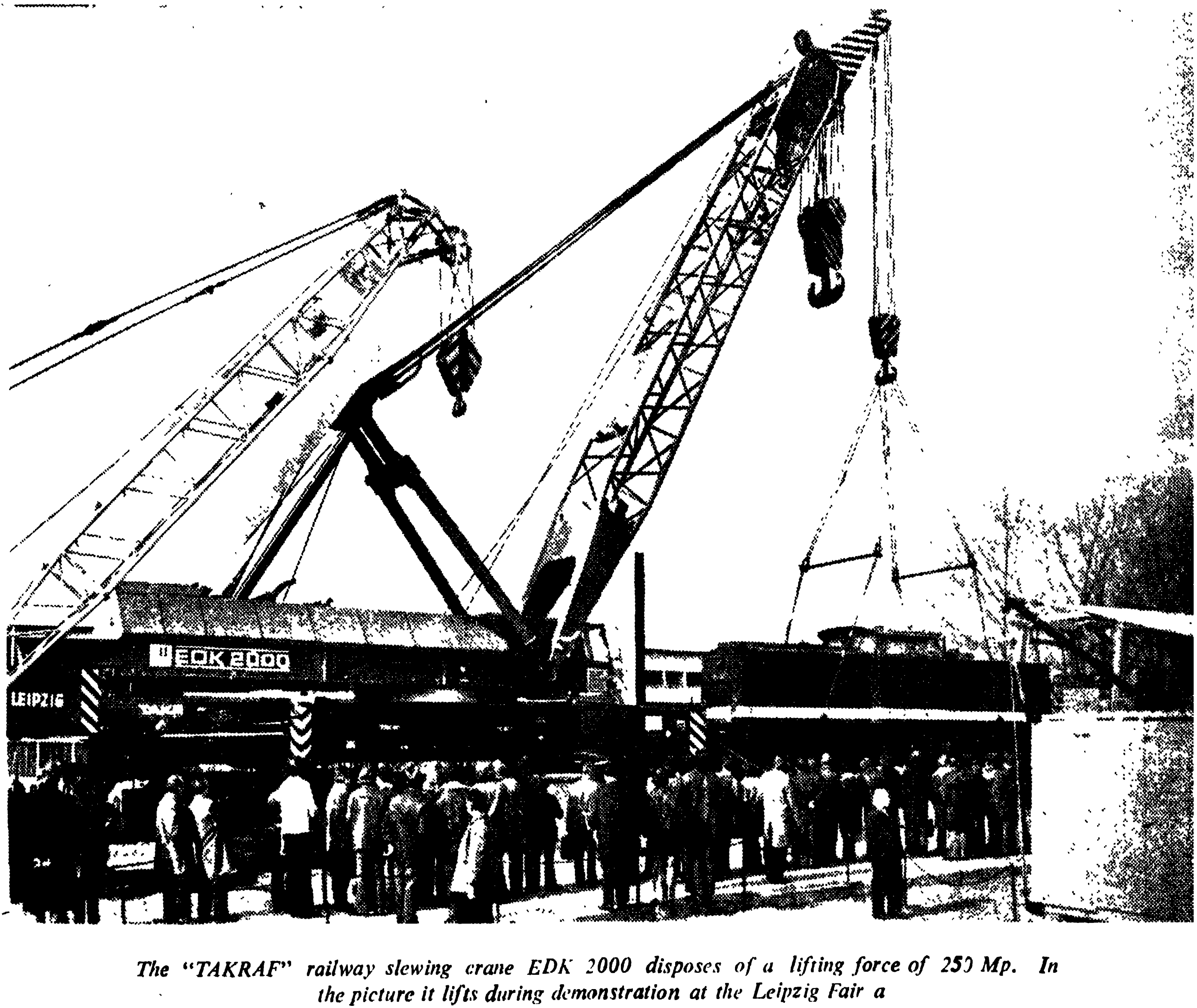
TAKRAF—Freely Movable Cranes and Open-cast Mining Equipment

To freely movable cranes from TAKRAF belong railway and truck mounted slewing cranes and truck mounted and mobile slewing cranes. This range of products also includes universal excavators, plants for factory internal transport, fork lifts, floor conveying devices, small-size hoisting devices and permanent conveyors. For example railway slewing crane EDK 2000 from VEB Schwermaschinenbau S. M.

Kirow Leipzig, are the most efficient railway slewing crane of the world with a carrying capacity of 250 t and the crawler mounted slewing crane RDK 160-2 from VEB Forder anlagenbau "7. Oktober" Magdeburg which has a carrying capacity of 16 t with mixed cargo operation. With its 6-metre beam, the crane can also be used as mounting device for prefabricated components in industrial and public building construction. There are five varieties of this equipment.

VEB Schwermaschinenbau TAKRAF has developed machinery of open-cast mining devices meeting different geological, technological, climatic and economic requirements. These include transport technologies for conveyor, traction and bridge haulage as well as for direct dumping open-cast mining devices and plants from winning to dumping of overburden and from winning to loading of coal. Exports include complete open-cast mining plants, paddle wheel excavators, bucket excavators, overburden spreaders, overburden haulage bridges, conveyor carriages, movable and stationary conveyor plants, dump spoiling and recovery devices, briquetting factories and coal refining plants. Haulage equipment for transport and transshipment of coal, too, is made available to customers.

TA
KRAF



The "TAKRAF" railway slewing crane EDK 2000 disposes of a lifting force of 250 Mp. In the picture it lifts during demonstration at the Leipzig Fair a diesel locomotive of 65 tonnes from the rails.

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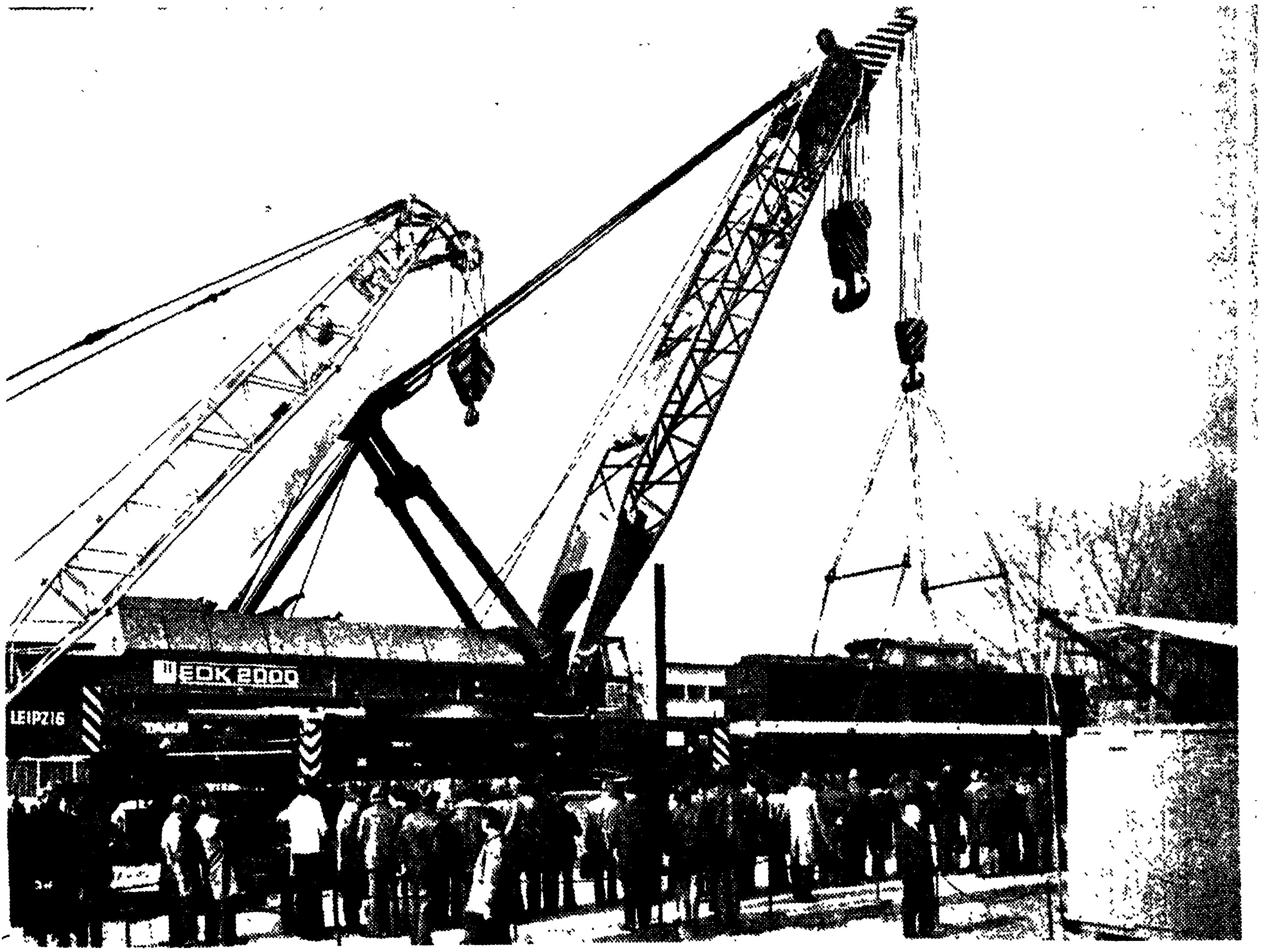
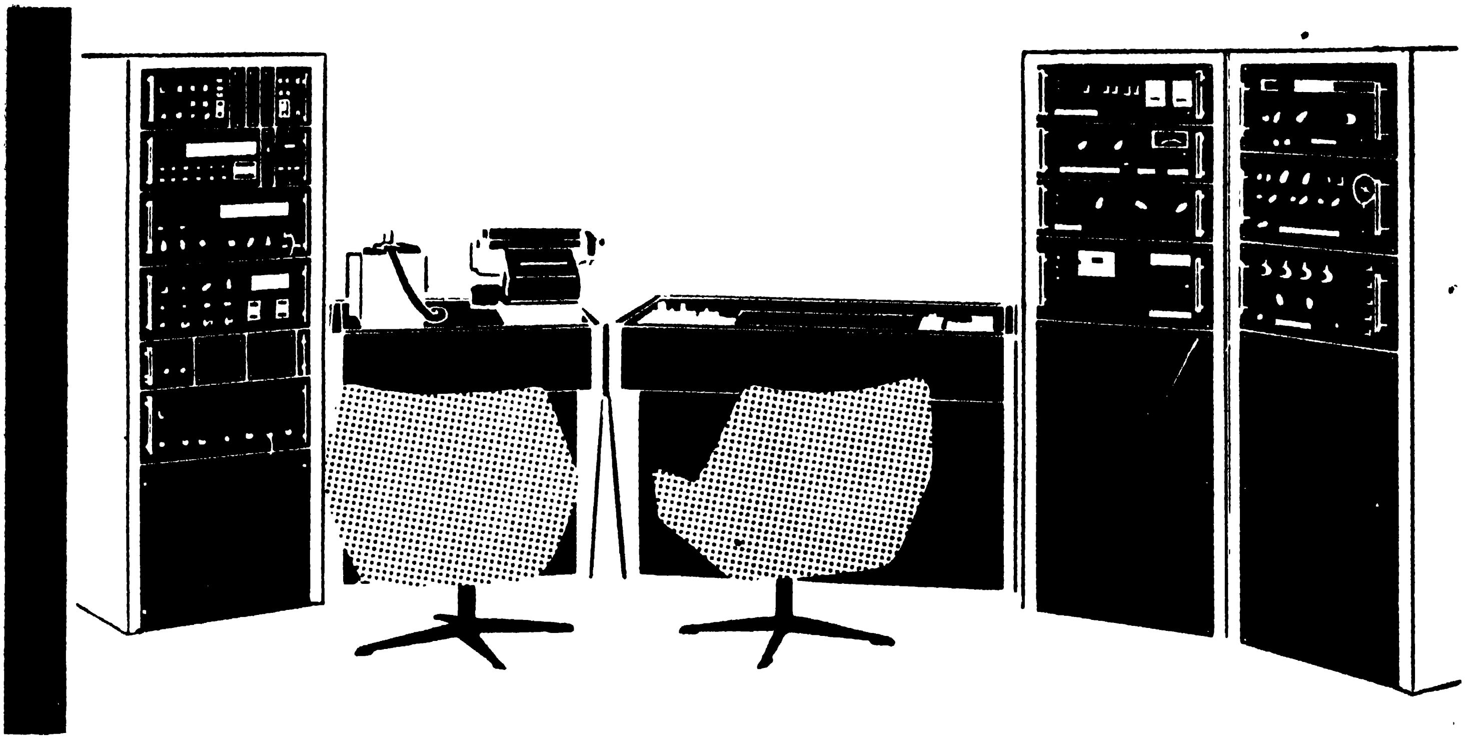


The "TAKRAF" railway slewing crane EDK 2000 disposes of a lifting force of 250 Mp. In the picture it lifts during demonstration at the Leipzig Fair a diesel locomotive of 65 tonnes from the rails.

UP-TO DATE MEASURING

in conjunction with automatic and semi-automatic control equipment ensure optimum test results at minimum time consumption. Facilities are provided for recording both environmental parameters and test object performance. The test results can be handled by means of data processing units and entered into process control computers.



We shall be pleased to welcome you to our stand at the New Delhi International Trade Fair which will take place from 14th November to 4th December, 1981.

Exported by: Elektrotechnik Export-Import
Volkseigener Aussenhandelsbetrieb der
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DDR.1026 Berlin . Alexanderplatz
Haus der Elektroindustrie

KANUBHAI ENGINEERS PVT. LTD.

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Delhi
30 Motia Khan,
Jhandewalan Road,
New Delhi 110 055.
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Madras
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Madras 600 002.
Tel: 87596-86719.
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ENERGY—*Life Spring of Economy*

Production in electrical engineering covers a large range of high-quality modern equipment. First of all are the plants for electric energy transmission and distribution, for high-voltage engineering and testing technique, for signalling and safety techniques, for telecommunication, for welding techniques, for electric heating and drive techniques and also production and mounting sites for electrical engineering products. Therefore, this branch of industry of the GDR, represented by the foreign trade enterprises ELEKTROTECHNIK EXPORT-IMPORT and HEIM-ELECTRIC EXPORT-IMPORT in common with the producing combines and enterprises of electrical engineering can cater for very large export orders.

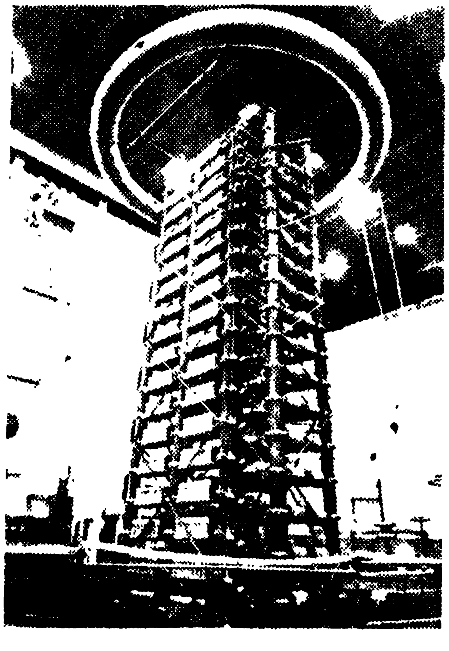
A big portion of this manufacture comes from VEB Kombinat Elektroenegie Anlagenbau, the products of which, with the trade mark "VEM", provide reliable facilities for transmission and distribution of electrical energy in many countries. The combine undertakes orders for electric energy distribution and transmission installations according to the climatic and technical conditions of the customer countries often in collaboration with partners from those countries.

Efficient Big Enterprises with Well Known Names

One of the leading enterprises of the combine is VEB "Otto Buchwitz" Starkstrom - Anlagenbau. It undertakes designing, supply and assembly of main energy equipment and is the only general contractor for complete high-voltage switch plants up to 420 kv in the GDR. More than one hundred of such plants have already been exported, for which the climatic conditions and the technical requirements of the buyer were always taken into consideration. Besides the traditional voltage ranges of 113, 245, and 420 kv, internal as well as open-air installation for 145 and 170 kv are also undertaken.

Electrical engineering of the GDR is highly efficient for construction of test stands for the production of high voltages in the fields of research and development for electric energy transmission. VEB Transformatoren-und Rontgenwerk "Hermann Matern", Dresden (TuR) is a specialised enterprise for production of high-voltage test stands and the allied secondary control, measuring and recording devices. Test stands produced by the Dresden enterprise, that are equipped with insulating elements from Kombinat VEB Keramische Werke, Hermsdorf, have proved their worth in long years of their operation even under difficult atmospheric conditions. The high level of efficiency is based on scientific know-how and experience acquired on the test fields installed in numerous countries.

GDR's electrical engineering industry is among the biggest electric motor and generator producers of Europe. Yearly, about eight millions electric machines are produced in the 14 enterprises of Kombinat Elektromaschinenbau. Production comprises motors for cassette type sound recorders of about one watt up to turbogenerators of 16 million watts (16 MW). At Sachsenwerk, Dresden, besides other drives, three-phase alternating current machines in the output range of 3150 to 5000 kilowatts are produced as drives for industrial plants.



The "TuR" impulse-voltage test generator having a total charge voltage of 5 million volts and a charge energy of 800 kJoule produces besides flash and aperiodic switching voltages also oscillating and super-long switching voltages.

In this field, automation technology is of great importance. One of the best-known enterprises, VEB Gerate-und Regler-Werke, Teltow, manufactures and supplies complete plants, e.g. for automation of 500-MW power station blocks, for large plants in the chemical industry and also for heating, ventilation and temperature control in mechanically run greenhouses.

In almost all continents, one can find cable drums with a white triangle, the symbol of the combine VEB Kabelwerk, Oberspree (KWO), "Wilhelm Pieck" Berlin. Cables and conductors from the GDR have proved their high quality and reliability even under extreme climatic conditions. Intensive research and long years of experience help to provide adequate consultancy to customers and to offer alternatives taking into account the installation site, the use and environmental conditions for the cables and conductors.

Favourable Offers

The foreign trade enterprise ELEKTROTECHNIK EXPORT - IMPORT, has had for many years now successful cooperation with many developing countries. It can offer complete plants or products that guarantee high level technical or technological efficiency. This foreign trade enterprise is also in a position to train the workers and to impart them experience and technical knowledge. The erection and extension of complex plants is also supported by stable cooperative relations with partners of good reputation in other industrial countries.

Communications Electronics--Extended to Many Fields

There are numerous possibilities for modern complex communication system using RFT communication electronics. The communications industry of the GDR, merged into VEB Kombinat Nachrichtenelektronik, has newly developed the production of modern communication systems by the use of which problems of information and communication can be solved economically. Micro-electronics has promoted changes in the fields of communication techniques, of digital transmission techniques, of telex and telephone techniques, of commercial radio techniques as well as USW traffic radiotelephone techniques. Using the research and development potential of the combine, modern electronic communication systems were created taking into account present and future requirements of post and telecommunication departments as well as of non-commercial customers. Requirements of extension of the world communication network, for instance opening of rural territories for communications, were met through special system solutions of RFT communications electronics.

The combine offers services as general contractor, designer and supplier for installations of communications systems and technical solutions for the complete execution of services.

Modern Technology for Communications

The RFT communication system for opening up of large but sparsely populated territories, the UMF-VMF radiotelephone system, will be of special interest to posts and communications departments. It enables wireless connection of telephones to central switchboards. Pilot sound transmission and selective identification ensure high quality and observance of the communication secrets.

In the field of exchange techniques a local telephone exchange with microprocessor control was developed through OZ 1000. The exchange, derived from the Uniform Communication System for Analogous and Digital Communication (ENSAD), allows connection of 256 to 1024 subscribers. Control is performed through the micro-computer system robotron K 1520.

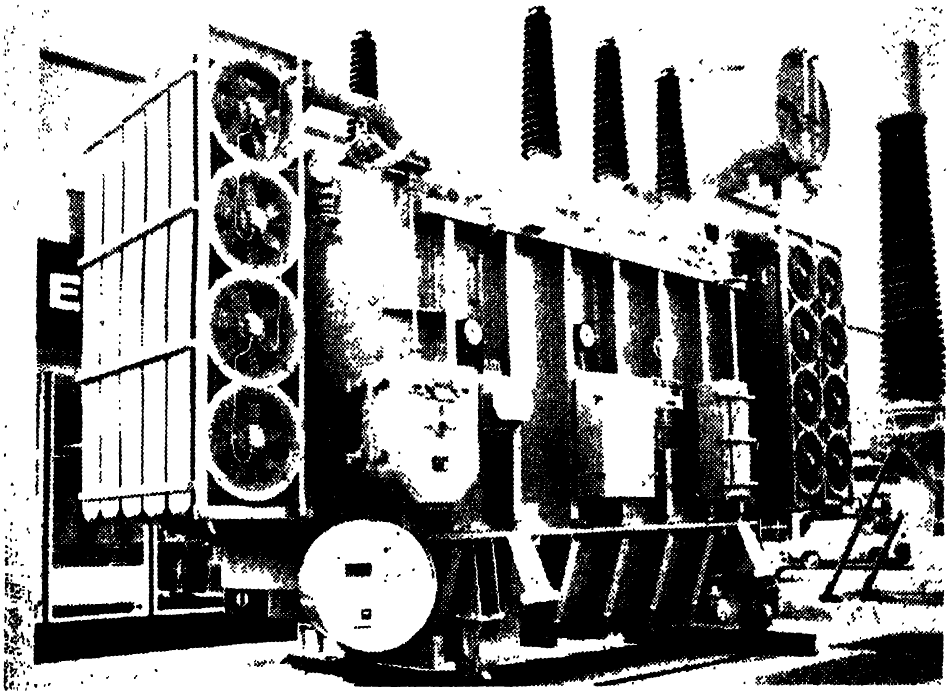
For information transmission the pulse code modulation system PCM 120 was developed in addition to the primary system PCM 30. It represents the second stage in the hierarchical structure of the digital transmission systems. Both devices form a system family. The secondary system PCM 120 allows simultaneous transmission of 120 telephone calls through only one conductor. It consists of the two digital secondary multiplex devices and the LF cable track.

Telephone Terminals with Key Operation

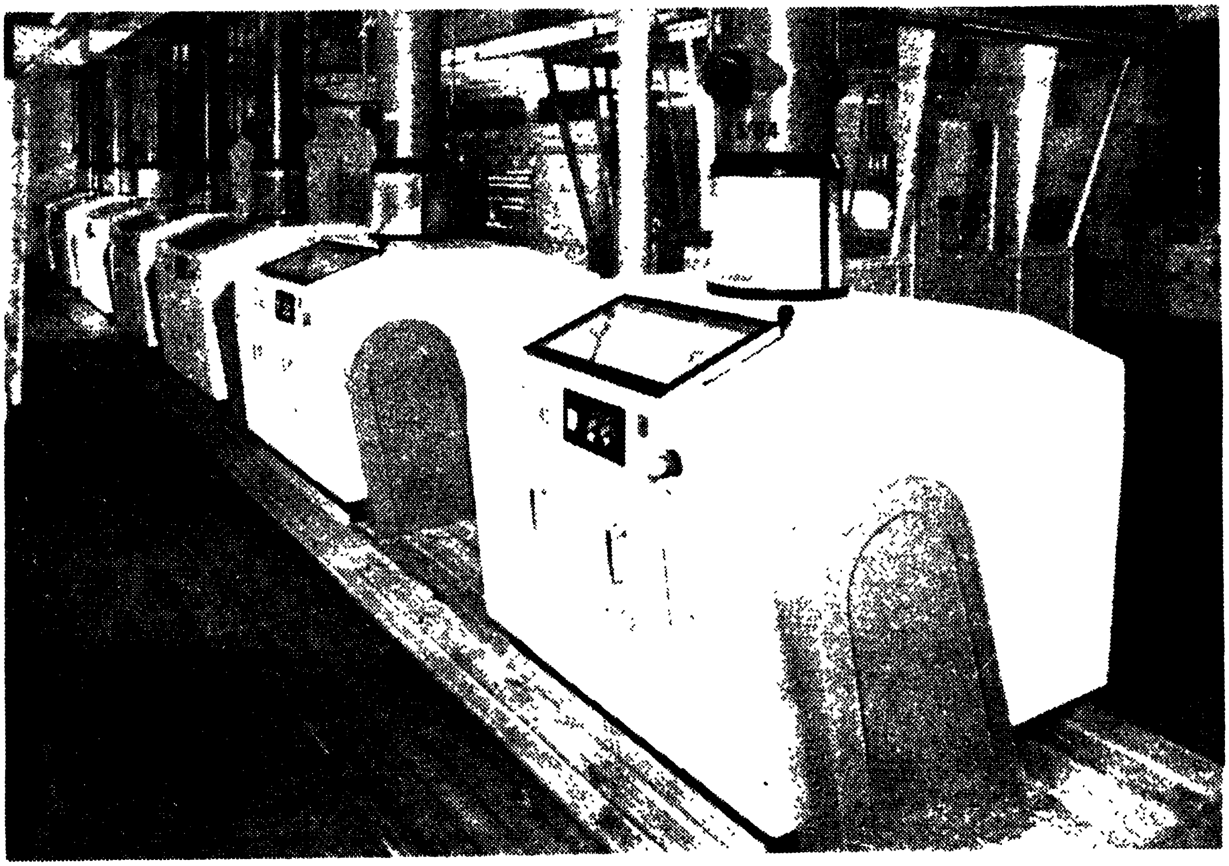
In the telephone terminals family "alpha", table-type telephones with key operations are being worked either according to the principle of voice frequency selection (MFC) or to the impulse selection process (IWV). The keyboard consists of 12 keys. The key pannel is subdivided, according to international standards, in four lines and three columns. The keys ensures quick and easy dialling. "Alpha" telephones with MFC key operation are provided for telephone exchanges that are equipped with voice frequency code-selection receiver. For the user of this telephone with key operation quick building-up of the connection is ensured, since connection is performed synchronously with the key operation time.

An equally interesting system for information transmission is the transportable radio link station RT 24-400. This device developed by VEB Robotron-Elektronik, Radeberg, is meant for the use in rural areas and communication networks, for the establishment of partial networks and for quick replacement of defective short-distant communication. Using this device, directional radio links for 12 or 24 communication channels with a maximum of 10 radio fields can be built up. The main component of RT 24-400 is the small-range radio link device FM 24-400.

To this range also belong the 1-kW transmission system KSS 1300, the SF control measuring device and the table-type transmitter operation device KBS 1300. It can be placed at any distance from the transmitter. For command input, keyboards are provided. Transmission to transmitting device and back is performed by special data telegrammes.


"TuR" three-phase current oil distribution transformer having an output of 20,000 kva.

FORTSCHRITT
Flour Mills



Fortschritt designs and erects complete milling plants starting with grain intake, passing processing up to the despatch of the grinding stock.

Fortschritt supplies mills for processing hard and soft wheat, maize and rye, for grinding, for the production of semolina and superfine flour.
The offers contain standard equipment for throughputs of 31.5 t/24 h, 63 t/24 h and 125 t/24 h, the extension of these capacities when required and the reconstruction of existing mills.
Fortschritt flour mills as desired by you are perfect into details.

FORTSCHRITT

Exporter :
Fortschritt Landmaschinen
Export-Import
DDR-1185 Berlin

WMW

for Rational Production

THE GDR machine tool and tool industry—well-known at the international level by the trade mark "WMW"—is an important export branch and covers a large proportion of the GDR's foreign trade. WMW enterprises are counted among the leading machine tool producers of the world.

This branch of industry is subdivided into four combines according to production groups and production processes. VEB Werkzeugmaschinenkombinat, "7. Oktober" Berlin produces machines for dynamically balanced processing, VEB Werkzeugmaschinenkombinat "Fritz Heckert", Karl-Marx-Stadt machines for processing prismatic parts, and VEB Kombinat Umformtechnik "Herbert Warnke", Erfurt plants for forming techniques. The processes, machines and tools are assembled by VEB Werkzeugkombinat Schmalkalden.

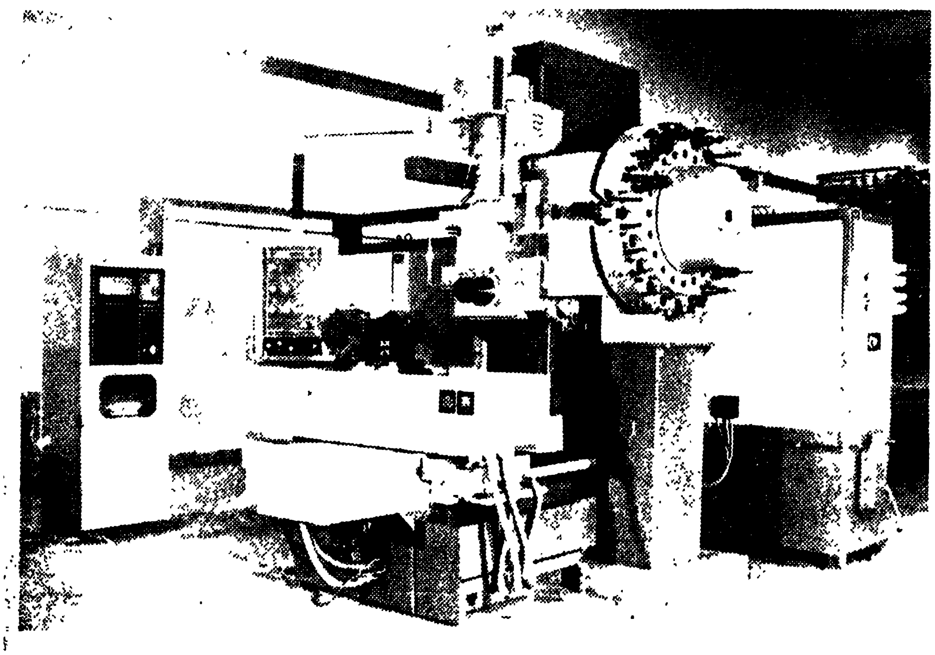
The research centre of the GDR's machine tool building, together with the WMW enterprise and the GDR high-schools caters for highly scientific and technical levels of the new developed products.

Machine tools from the GDR are exported by the foreign trade enterprise WMW-EXPORT-IMPORT to more than 50 countries. India is one of the most important customers of WMW machines. More than 30 per cent of tooth processing machines are bought by India from the GDR. The Federal Republic of Germany buys 25 per cent. Twenty five per cent of bush grinding machines in Japan are imported from the GDR.

Capability of GDR machine tools is continuously improved using up-to-date technological knowledge. So in machine tool building, micro-electronics, electronic control and computer technique, up-to-date means of automation and industrial robots are fast being used as decisive factors of scientific and technical progress. For instance, introduction of the new micro-electronic control generation CNC 600 affords the user a two to three-fold higher labour productivity.

Useful Units for Many Fields

It is not possible to present here all export branches of the GDR industry such as the air, climate and refrigeration techniques. In this field, the ILKA construction unit system affords great economic benefits and technical improvement to the user. This is realised by the continuous quick refrigerating device FGF 80 for quick freezing of such goods as vegetables, fruits etc. The foreign trade enterprise TECHNOCOMMERZ, that is responsible for ILKA products, further, supplies pumps and compressors, galvanotechnical equipment, armatures, ARSTA hydraulic units and power station plants. Special goods for export are ship diesel engines and diesel engines for the industry, bord units for direct and three-phase current generator sets, stationary and transportable with diesel engine drive and complete diesel generator stations.



'WMW" Horizontal machine centre with electronic control CFKrW 250/1 CNC 600

ROBOTRON Data Processing, Computer, Typing and Drawing Technology

Direction and speed of economic development depend, to a large extent, on the application of electric engineering and electronics in industry and economic management. VEB Kombinat ROBOTRON represents in the GDR the important branch of the electronic computer and office techniques. Under the trade mark ROBOTRON reputed in the world market, are offered electronic data processing plants, small-size process and microcomputers, accounting and invoicing machines, typing techniques comprising mechanical, electrical and electronic machines, ROBOTRON-REISS drawing devices and plants, means of organization as well as measuring and entertainment electronics. In the ROBOTRON training centre, every year more than one thousand specialists from home and abroad are trained for the use of ROBOTRON plant systems. In the markets abroad, the foreign trade enterprise ROBOTRON EXORT-IMPORT maintains offices and service points for its business partners as well as a well-organized sales network and representation agencies.

VEB CARL ZEISS JENA

Increased Capability—Effective Complex Solutions

OBSERVATION OF the stars and the resulting knowledge are the cultural heritage of India. Traditional instruments have been completed or replaced by modern ZEISS planetariums at many places. As early as in 1961, specialists from the GDR installed the first big device in Calcutta. The next one was installed in Bombay in 1976 and another one in Baroda in 1977. By the end of 1980. Prime Minister Indira Gandhi in her home town Allahabad opened a small-size planetarium to the public, that had been supplied and installed by Carl Zeiss JENA. On this occasion, the GDR Ambassador Heinz Birch declared that a new example of fruitful cooperation between the GDR and India was set through this planetarium and that a space planetarium would be erected in Delhi.

To the combine Carl Zeiss JENA belong 18 enterprises in Jena and in other towns of the GDR. About 46,000 workers are employed in these enterprises. The scientific potential of the combine is concentrated in a research centre with more than 4,000 employees. Export and import are effected through the concern's own foreign trade enterprise.

Experience in Research and Production

The extent of knowledge and quality of production can be gauged by the 130 years' experience in research and production of the concern. Through cooperation of Carl Zeiss and the physicist and university professor in Jena, Ernst Abbe, by the middle of the 19th century, foundation stone was laid for the matching of science with production in the optical precision device construction. The result was the world reputation of the Zeiss products that can be seen in the present size of the concern.

The development of productive forces has decisively advanced through scientific calculation of optical systems, their production and exploitation in precision-mechanical products as well as through their utilisation in science, teaching and production. The production of high-quality precision devices has become possible with the utilisation of new optical glasses from the glass factory Schott & Genossen in Jena, founded in 1984. The production was started with microscopes, then followed photo products, prismatic binoculars, devices for astronomy, geodesy and medicine of Zeiss precision now-a-days well-known all over the world.

In 18 major groups, about 700 main devices are produced that are under continuous development according to their specific importance. Main production groups of the combine are: photogrammetric devices—microscopes—geodetic instruments optical analysis instruments—astronomic instruments and planetariums optical instruments for space flight—optical—medical instruments—technical precision measuring instruments—microlithographic instruments—spectacle glasses and rims—opto-technical instruments—telescopes and prismatic field-glasses—optical glass—technical glass—housekeeping glass—photo and special objectives—micro-film devices and magnet tape memories.

Every year, 30 to 40 newly developed or improved products are delivered to the world market. In 1980, about 70 per cent of the production was such that were not in production in 1976. The reason for this dynamic process is cooperation-oriented to the user.

Capable Foreign Trade Partner

The combine VEB Carl Zeiss has secured orders for complex matching through cooperation with capable national and international partners. They contain observatories, planetariums, scientific laboratories, factories for precision mechanical-optical products, licences and scientific and technical performances.

A substantial role in foreign trade of the combine has been played by the deepening of relations with developing countries and GDR's support in their struggle for economic independence, for development of their national economy, for education and public health, their infrastructure etc. The combine is in the position to offer numerous products which promote the main objectives of these countries. This has enabled, among others, the use of productive instruments with ease for topographic measurement, microscopes for research and teaching as well as instruments for ophthalmic therapeutics.

Customers from developing countries are very often buy completely equipped laboratories from Carl Zeiss JENA. The interest of the combine is looked after in the market by a capable sales organisation in 40 countries including India. The products are sold by more than 80 representatives in all the continents. Eighty per cent of the products from VEB Carl Zeiss JENA are exported.

Organisation of after-sales service is also world-wide. Service for the products is performed by partially specialists of firms in customers' countries that are trained and qualified in the combine in GDR. Repair and assembly are peformed by their own specialists at the customers works. For this purpose experienced service engineers are available.

Quality Production—Key of Success

The quality of optical precision instruments is proved by the fact, that during the years from 1976 to 1980, 35 products of the combine, Carl Zeiss JENA, were awarded gold medals at Leipzig Fairs. Numerous instruments got the title "Good Design" for exemplary design. The number of products awarded the highest quality mark of the GDR "Q" rose from 211 in 1975 to 349 in January 1980.

For Health and Education

THE FOREIGN trade enterprise MLW intermed-export import caters for equipment of institutions of public health and education by offering complex instruments for clinics and schools; institutes and universities. Its foreign trade activities include consultation, planning, designing, supply and after-sales service.

The enterprise supplies to the public health organisations complete medical units, laboratories and X-ray devices for diagnostics, equipment for poly-clinics, X-ray tubes, X-ray foils, medical electronics, medical mechanical instruments and apparatus. Medical appliances of daily use, such as surgical instrument, syringes, tubules, needles, bandaging material, plasters, dental prothesis and others are also supplied by this combine.

MLW intermed also supplies stationary and mobile laboratories for research, industry, agriculture and water works in addition to material testing machines, instruments for oscillation and counterbalancing techniques, weighing machines viscosimeters and centrifuges.

The manufactures of MLW intermed-export-import is based on the production of its capable partners in the GDR industry. In cooperation with these partners, international cooperation in the fields of economy, science and those related to medical and laboratory techniques being promoted. The results is that the enterprise is able to meet the demand for modern products of highest level of research and to help developing countries in establishing their public health and education systems.

The enterprise supplies turnkey primary schools in light-metal construction, including the auxiliary objects, special teaching rooms for lessons in physics, biology, mathematics and chemistry. It also supplies complete training centres of technical schools for vocational training, including pedagogic documentation as well as apprentices' workshops for the training of skilled workers in the fields of metal treatment and metal working, motor vehicle techniques, electric engineering/electronics and for services. Physical-technical means of instruction, biological and visual means of instruction, drawing boards and slide-rules are also supplied by the enterprise.

The foreign trade enterprise develops stable, long-term relations with business partners in numerous countries. With customers in India, too, close relations, have been existing for years. Successful foreign trade activities require large-scale planning to meet requirements of the world market. MLW intermed-export-import is oriented to such tasks. In 23 countries, the foreign trade enterprise is represented by its own sales and purchases organisations.

Leipzig Fair

**German
Democratic
Republic**

Spring Fair 14.3. to 20.3.1982
Autumn Fair 5.9. to 11.9.1982

World-wide contacts for successful trade and economic cooperation as well as best opportunities for international exchange of experience and comparison of performances you will find at the Leipzig Fair.

The World Trade Place Leipzig waits for you.

COMPANY AFFAIRS

Public Issue by Jaiprakash Enterprises

JAIPRAKASA ENTERPRISES Limited is entering the capital market on November 4 with a public issue of 8,64,000 equity shares of Rs 10 each cash for at par.

The company has obtained technical and operating consultancy from ITC Ltd—WELCOMGROUP hotel chain. The Sheraton chain has also shown interest in lending its name to the hotel, which link-up may be finalised shortly, and would be of great advantage to the hotel.

The occupancy of Hotel Siddharth is around 70 per cent at present with foreign tourists accounting for 40 per cent, the management expects no difficulty in operating at full occupancy soon.

In view of the expected boom in tourist traffic around the Asiad, the company has applied for expansion of its capacity by another 48 rooms.

The prospects for the hotel are very good. The hotel has already crossed the break-even level of operations and has started earning profits. Completed at a relatively low cost a hotel of this size if put up today would need almost double the investment. This is of great advantage to the investors.

Star Industrial

Star Industrial & Textile Enterprises Ltd (formerly Star Textile Engineeering Works Ltd) will enter the market with an issue of 170,000 —13.5 per cent—secured convertible debentures of Rs 250 each totalling to Rs 425 lakhs for cash at par. Of these, debentures of the value of Rs 200 lakhs representing 47.06 per cent of the total value of debentures have been earmarked for preferential allotment to shareholders, deposit holders, employees of the company and others. The balance of the debentures of the value of Rs 225 lakhs are offered for subscription to the public and the unsubscribed portion, if any, from the amount set aside for preferential allotment for shareholders, deposit holders, employees and others will form part of the issue offered to the public. The subscription list to the issue will open on November 16, 1981.

Salient Features

The salient features of the debentures are : (i) The application must be for a minimum of two debentures or multiples thereof; (ii) the debentures will carry an interest at the rate of 13.5 per cent with an additional one per cent payable when dividend declared is 18 per cent or more in the immediate preceding year and in this case 14.5 per cent interest will be paid in the very first year itself ; (iii) 21 per cent of the face value of each debenture (i.e. Rs 52.50) shall be converted on March 31, 1983 into three equity shares of Rs 10 each credited as fully paid up at a premium of Rs 7.50 per share without any further act or application by the debenture holder and the company. A further 21 per cent shall be similarly converted on March 31, 1984 into three equity shares of Rs 17.50 each (including a premium of Rs 7.50 per share) ; (iv) after conversion, the outstanding principal amount of each debenture viz. Rs 145 shall be redeemed by the company on the 1st day of the 9th, 10th, 11th and 12th year from the date of allotment.

The debentures are fully secured. It will be observed that 42 per cent of the face value of debentures will be converted with equity shares in less than 2½ years from the date of offer. Another distinct feature of the issuo is that the conversion will take place in two stages.

The total investment for this diversification plan is of the order of Rs 1,145 lakhs and is to be financed through Rs 265 lakhs of internal cash accruals, Rs 290 lakhs of interest free sales tax loan, Rs 145 lakhs of deferred credit, Rs 20 lakhs of subsidies and Rs 425 lakhs of debentures.

The performance record of the company in the past has been quite satisfactory. The total income has increased 7.7 times in the last 10 years. The gross profit has increased 17.54 times. The profit before tax has increased 25.23 times and the retained earnings has increased 46.66 times during the same period. The company paid a dividend of 18 per cent on its equity capital, against 15 per cent in the previous year which absorbed Rs 23 lakhs owing to the increase in equity capital effected by the issue of bonus shares and conversion of a part of term loans by the financial institutions. Even after the issue of bonus shares, the reserves and surplus and retained earnings have increased considerably.

For the year ended March 31, 1981, the company's total income and profit before tax were Rs 18.71 crores and Rs 1.52 crores respectively. As on that date the reserves of the company stood at Rs 2.19 crores against equity share capital of Rs 1.35 crores.

Indoceanic Shipping to Raise Capital

Indoceanic Shipping Co, an existing company, proposes to raise additional capital of Rs 109.98 lakhs in equity shares of Rs 10 each at par to meet the capital outlay required for acquiring additional vessels and to provide for additional working capital needs. Of this, 1,99,800 equity shares have been reserved for allotment to promoters, Directors and their friends and the balance 9 lakh equity shares are being offered to the public on November 19.

Usha Alloys

Usha Alloys and Steels proposes to issue shortly 1.50 lakh secured redeemable debentures of Rs 100 each at par. Out of the issue, 10,000 debentures will be reserved for allotment on preferential basis to the Directors, their associates and friends and employees of the company, and 40,000 debentures for preferential allotment to the company's equity shareholders subject to maximum allotment of 20 debentures to each applicant. The balance one lakh debentures will be offered to the public.

Within one year from the allotment date, each debentureholder will be entitled as of right to be offered by the company for cash at a premium of Rs 5 per share in proportion of three equity shares of Rs 10 each for every one debenture of Rs 100 each. The said offer will include the right exercisable by the offeree to renounce the shares offered in favour of any other person. In the event of the company making any bonus or rights issue before the offer of shares, the number of equity shares to be offered shall be proportionately augmented, if required, and the amount of premium shall also be proportionately reduced. The debentures will carry an interest at 13.5 per cent with an additional interest of one per cent, if for any preceding financial year the company declares an equity dividend exceeding 15 per cent.

The issue is being made to augment the long-term resources of the company for working capital. The company is one of the leading manufacturers of high and low carbon alloy steels in the private sector. For the year, ended May, 1981, the turnover was Rs 21.74 crores against

Rs 14.51 crores in the previous year. A higher equity dividend of 20 per cent has been declared against 10 per cent for 1979-80.

Premier Auto Dividend

The Premier Automobiles has returned to the dividend list after a lapse of 14 years. The company has declared an equity dividend of 15 per cent for the year ended June, 1981. It has reported a marked improvement in its working for the year. The announcement has been greeted by share market circles. The company's Rs 100 paid shares, which had come down from the weekend level of Rs 287.50 to Rs 282.50 in the official session were marked up to Rs 304 to Rs 305 in late deals.

According to the preliminary statement, sales have risen by 50 per cent from Rs 69.76 crores in 1979-80 to Rs 104.10 crores in 1980-81. With the gross profit increasing by 96 per cent from Rs 4.63 crores to Rs 9.11 crores, the ratio of gross profit to sale has improved from 6.6 per cent to 8.8 per cent.

After providing Rs 1.07 crores (Rs 1.13 crores) for depreciation, Rs 46.50 lakhs (Rs 22.50 lakhs) for investment allowance and after some adjustments, including the brought-in-deficit of Rs 2.60 crores, there is a disposable surplus of Rs 6 crores. Dividend will absorb Rs 1.12 crores. The balance of Rs 4.88 crores has been transferred to general reserve.

Crompton Greaves

Crompton Greaves is raising dividend by one per cent to 19 per cent for the year ended June 1981 following better working results.

Sales have risen by 21 per cent from the previous year's Rs 117.88 crores to Rs 142.68 crores in 1980-81 and gross profit by 18 per cent from Rs 10.57 crores to Rs 12.47 crores according to preliminary figures.

With the changeover to the straight-line method of depreciation, a write-back of depreciation in respect of previous years amounting to Rs 64.91 lakhs has resulted in increasing the gross profit to Rs 13.12 crores.

After depreciation of Rs 1.93 crores (Rs 1.67 crores) and taxation of Rs 4.65 crores (Rs 4.45 crores) net profit amounts to Rs 6.54 crores compared to the previous year's Rs 4.45 crores.

The proposed dividend will absorb Rs 1.82 crores (Rs 1.73 crores) after appropriation of Rs 1 crore (Rs 68 lakhs) to investment allowance reserve, the balance of Rs 3.72 crores (Rs 2.01 crores) is proposed to be ploughed back to the general reserve.

Badra Coffee

Badra Coffee has maintained the dividend at 35 per cent for the year to May last, though sales were at Rs 86.81 lakhs (Rs 92.94 lakhs). Gross profits were lower at Rs 34.72 lakhs (Rs 48.06 lakhs). Depreciation was Rs 2.93 lakhs (Rs 2.78 lakhs) and tax was Rs 19.75 lakhs (Rs 28.50 lakhs). Thus net profit after tax was Rs 12.04 lakhs (Rs 16.78 lakhs) general reserve gets Rs 4.50 lakhs only (Rs 10.04 lakhs). carried forward is Rs 1.62 lakhs (Rs 2.14 lakhs).

Garware Paints Earns Less

Garware Paints has suffered a setback in its performance for the year ended June 30, 1981. Despite a rise of 22 per cent in sales to Rs 23.94 crore from Rs 19.70 crore, its gross profit has declined by 15 per cent to Rs 94 lakh from Rs 111.50 lakh.

The Directors have proposed a dividend of 12 per cent, on the capital as raised by the one-for-two bonus issue. This will mean a distribution of 18 per cent in terms of the pre-bonus capital against 16 per cent for 1979-80. The Rs 10 fully paid-up equity shares of the company are placed around Rs 25 in Bombay.

The sharp fall in the profitability is attributed to the steep rise in the prices of raw materials and the increase in the cost of finance.

The company's exports increased by 49 per cent during the year under review. The company is planning to diversify its activities. It has set up a civil construction division which has secured substantial orders.

The company's after-tax profit amounts to Rs 41.65 lakh against Rs 42.27 lakh after providing Rs 21.85 lakh (Rs 18.70 lakh) for depreciation and Rs 30.50 lakh (Rs 50.53 lakh) for taxation. A sum of Rs 4.94 lakh (Rs 4.10 lakh) is transferred to the investment allowance reserve. The proposed equity dividend will claim Rs 15.84 lakh against Rs 14.08 lakh.

Cons Coffee

Cons Coffee will maintain the equity payment at 25 per cent for the year to June last. Net profit before taxation is Rs 431.13 lakhs (Rs 564.28 lakhs) though coffee exports were less remunerative during the year. Tax provision is Rs 266.75 lakhs (Rs 383.75 lakhs). Brought forward is Rs 30.39 lakhs (Rs 3.01 lakhs). The dividend will consume Rs 83.47 lakhs. Investment allowance reserve is Rs 6,000 (Rs 25,580). General reserve one gets Rs 1.32 lakhs (Rs 50 lakhs) and general reserve two gets Rs 9.19 lakhs (Rs 1.81 lakhs).

Victor Cables

Victor Cables, a new company setting up a Rs 2.42-crore project for the manufacture of PVC cables, is entering the capital market shortly with a public issue of 4.87 lakh equity shares of Rs 10 each at par. The company has made considerable progress in the implementation of the project and expects to commence production from January 1982.

The project cost is being met from the share capital of Rs 85 lakh and term loans of Rs 175 lakh. The promoters have taken up shares of Rs 36.30 lakh, while the balance of Rs 48.70 lakh are offered to the public.

The company's unit at Faridabad is licensed to produce annually 30,000 km of PVC power cables used in transmission and distribution of power. The major raw materials, namely, FC grade aluminium and PVC are locally available.

Bombay Suburban Electric Supply

The energy sales of Bombay Suburban Electric Supply Ltd, during the first five months of the current year (April to August, 1981) were higher by 9.7 per cent, as compared to the sales in the corresponding period of the previous year, according to Mr R.P. Aiyer, Chairman.

He told the shareholders of the company recently at the annual meeting in Bombay that contracts division of the company continued to expand its operations. The major projects completed during the year include electrification and installation work at Kudremukh iron-one project in Karnataka, heavy water project in Rajasthan and naval dockyard in Bombay.

Baroda Rayon Prospects Bright

Baroda Rayon's sales for the whole of 1981 were expected to cross Rs 80 crore mark against the actual turnover of Rs 51.39 crore in 1980. The Chairman, Mr Fatesinghrao P. Gaekwad had informed the shareholders at the last annual meeting that the company's sales totalled Rs 26 crore during the first four months of 1981. The price realisations for nylon and polyester filament yarn have tended to improve in recent months, and the trend is expected to be maintained in the coming months.

The company's gross profits for the current year is expected to show a much larger increase than the rise in sales, partly because of the substantial increase in the production of polyester filament yarn, a more profitable product-line. The company's output of polyester filament yarn has more than doubled and is expected to be about 1,400 tonnes for the whole of 1981 against 643 tonnes in 1981.

The company earned a gross profit of Rs 7.87 crore on sales of Rs 48 crore for 1980, a year of normal operations, yielding a ratio of 16.4 per cent for gross profit to sales. The company suffered a modest setback in 1981 because of the labour trouble and the strike for a few weeks during the year.

The expansion of nylon and polyester filament yarn capacities is estimated at Rs 33 crore while the doubling of the nylon tyre cord capacity to 4,000 tonnes a year should cost Rs 17 crore. The capacity of nylon filament yarn is being raised from 2,436 tonnes to 5,000 tonnes and that of polyester filament yarn from 576 tonnes to 2,100 tonnes a year.

Further, the company is also planning to set up a synthetic detergents unit with a capacity of 10,000 tonnes at an estimated cost of Rs 3.50 crore.

The long-term outlook for the company is also considered promising because of the sizable increase in manufacturing facilities. The 2,000 tonne nylon tyrecord project is expected to bring additional turnover of about Rs 17 crore a year. The project will be in full operation next year and should make its contribution to profits.

Taj Lanka Hotels

The Taj Group of Hotels signed an agreement for $ 23.3 million with the International Finance Corporation of Washington recently for its joint venture hotel project in Sri Lanka.

The project undertaken by the Taj Lanka Hotels Ltd will cost $ 35.5 million and will be ready for operations in early 1983.

Indian Hotels, owners of the Taj Group, will have an equity participation of $ 4.5 million (Rs 3.60 crore) in Taj Lanka, IFC, Washington, is subscribing for equity shares of $ 7 million of Taj Lanka. The balance of equity capital will be held by Sri Lankans and persons of Lanka origin. Taj Lanka hopes to make the public issue of shares in Colombo for about $ 4.0 million before the end of 1981.

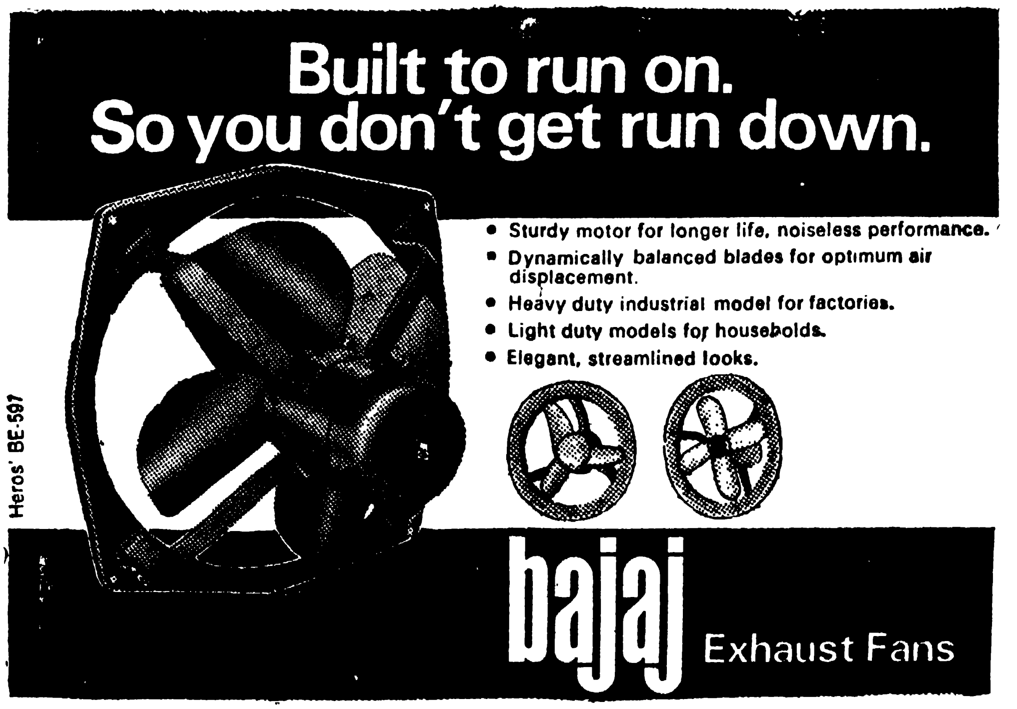
Initially, the hotel, to be known as Taj Samudra Hotel, will have about 400 rooms. It will add another 160 rooms in its second phase. The hotel is being centrally located in the heart of Colombo.

IFC contribution to the project is broadly divided into three parts. Its long-term loan called as "A" loan will be for about $ 60 million. Its "B" assistance which is syndicated along with other international banks, including State Bank of India, New York branch, will be for $ 2.9 million. Additionally, there is Wardley International Bank loan of $ 4.0 million.

The Sri Lanka project was earlier estimated at $ 20.0 million. But the cost of project increased by 25 per cent following the general escalation in costs. IFC, consequently asked Indian Hotels to increase its equity participation from $ 4 million to 4.5 million. The increase in the equity base is also required to maintain the debt-equity ratio as per the conditions of IFC's loan assistance to Taj Lanka.

Luxmi Starch

The Directors of Luxmi Starch Ltd. propose to raise the dividend from 12 per cent to 15 per cent for the year ended March 31, 1981. The step-up in the distribution follows an improvement in the working results of the company for the year. Sales have risen from Rs 10.30 crore to Rs 15.37 crore and the gross profit from Rs 61.26 lakh to Rs 1.03 crore. The profit before taxation is placed to Rs 76.96 lakh against Rs 35.35 lakh. The general reserve claims Rs 15.92 lakh (Rs 12.57 lakh).



Built to run on.
So you don't get run down.

- Sturdy motor for longer life, noiseless performance.
- Dynamically balanced blades for optimum air displacement.
- Heavy duty industrial model for factories.
- Light duty models for households.
- Elegant, streamlined looks.

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NOR DO WE"

USE

"THREE LIONS"

BRAND

SODA ASH

CAUSTIC SODA

&

SODA BICARB

Saurashtra Chemicals

PORBANDAR-360576

Current Statistics

RECORDS AND STATISTICS

Wholesale Price Movements

Major Group/Group	Weight in Relation to 'All Commodities'	Index Number of Wholesale Prices (Base : 1970-71=100) for the week ending					Percentage Variation over			
		10-10-81 Latest week	3-10-81 A week ago	12-9-81 4 weeks ago	15-8-81 8 weeks ago	11-10-80 A year ago	A week	A month	Two months	A year
		Provisional			Final					
ALL COMMODITIES	**1000.00**	**285.2**	**285.1**	**284.5**	**289.7**	**264.3**	**Negl.**	**– 0.2**	**1.6**	7.9
I. Primary Articles	**416.67**	**269.0**	**269.0**	**270.3**	**274.0**	**236.7**	—	**—0.5**	**—1.8**	**13.6**
(a) Food Articles	297.99	238.6	239.1	241.0	244.1	208.5	—0.2	—1.0	—2.3	14.4
(b) Non-food Articles	106.21	246.7	245.0	244.9	252.1	213.3	0.7	0.7	—2.1	15.7
(c) Minerals	12.47	1,187.3	1,187.3	1,187.3	1,175.7	1,108.3	—	—	1.0	7.1
II. Fuel, Power, Light and Lubricants	**84.59**	**437.5**	**437.5**	**437.5**	**437.5**	**355.7**	—	—	—	**23.0**
III. Manufactured Proudcts	**498.74**	**272.9**	**272.8**	**270.4**	**277.7**	**272.5**	**Negl.**	**—0.9**	**—1.7**	**0.1**
(a) Food Products	133.22	311.2	311.1	304.9	331.1	363.0	Negl.	2.1	—6.0	—14.3
(b) Beverages, Tobacco and Tobacco Products	27.08	218.9	218.8	218.8	218.8	214.1	Negl.	Negl.	Negl.	2.2
(c) Textiles	110.26	223.6	223.7	222.6	223.5	212.9	Negl.	0.4	Negl.	5.0
(d) Paper and Paper Products	8.51	278.8	272.3	271.3	272.3	261.6	2.4	2.8	2.4	6.6
(e) Leather and Leather Products	3.85	372.4	372.4	372.4	372.4	379.0	—	—	—	—1.7
(f) Rubber and Rubber Products	12.07	287.0	285.5	285.3	279.0	254.7	0.2	0.6	2.9	12.7
(g) Chemicals and Chemical Products	55.48	259.5	259.1	257.4	259.4	246.1	0.2	0.8	Negl.	5.4
(h) Non-metallic Mineral Products	14.15	314.3	314.5	312.2	312.2	280.0	—0.1	0.7	0.7	12.3
(i) Basic Metals, Alloys and Metal Products	59.74	310.2	310.2	309.0	309.0	269.9	—	0.4	0.4	14.9
(j) Machinery and Transport Equipment	67.18	263.6	263.5	263.4	263.4	239.2	Negl.	0.1	0.1	10.2
(k) Miscellaneous Products	7.20	239.2	239.2	239.2	237.8	236.1	—	—	0.6	1.3

Negl.=Less than ± 0.05 per cent.

Source : Office of the Economic Adviser, Ministry of Industry, Government of India.

Movements in Consumer Prices : 1975-1981

(Monthly Averages or Calendar Months) (Index Numbers with Base: 1960=100)

Year/Month	For Industrial Workers					For Urban Non-manual Employees				
	All-India*	Bombay	Calcutta	Delhi	Madras	**All-India****	Bombay	Calcutta	Delhi— New Delhi	Madras
1975-76	**313**	300	287	333	314	**277**	246	243	273	306
1976-77	**301**	298	297	332	288	**277**	255	251	274	294
1977-78	**324**	318	320	358	311	**296**	269	265	288	311
1978-79	**331**	325	331	368	318	**306**	285	279	303	321
1979-80	**360**	359	351	389	350	**330**	315	297	321	350
1980-81	**401**	400	382	426	388	**369**	347	331	352	390
August, 1980	**397**	396	387	428	384	**368**	345	330	358	384
September, 1980	**402**	391	395	430	381	**370**	345	339	355	385
October, 1980	**406**	400	393	438	388	**375**	356	342	357	389
November, 1980	**411**	402	397	436	398	**378**	354	346	359	397
December, 1980	**408**	408	379	430	404	**376**	353	341	355	405
January, 1981	**411**	409	379	434	403	**378**	352	339	359	405
February, 1981	**418**	420	384	434	409	**382**	357	343	361	411
March 1981	**420**	423	385	438	410	**385**	359	345	367	412
April, 1981	**427**	435	397	448	412	**391**	372	348	372	414
May, 1981	**433**	442	399	453	420	**396**	377	353	377	420
June, 1981	**439**	450	406	451	428	**401**	380	358	383	426
July, 1981	**447**	459	408	476	452	**411**	387	364	397	434
August, 1980	**454**	462	412	480	457	**417**	394	368	408	440

*Based on indices of 50 centres. **Based on indices of 45 centres.

Sources : Labour Bureau (Ministry of Labour), Government of India and CSO, Ministry of Planning, Government of India.

Index Numbers of Industrial Production: 1975-1981

(Monthly Averages or Calendar Months) (Base: 1970 = 100)

Year/Month	Source Classification				Use-based Classification*						Input-based Classification*			Sectoral Indicators*	
	General Index (Crude)	Mining and Quarrying	Manufacturing	Electricity	Basic Industries	Capital Goods Industries	Intermediate Industries	Consumer Goods Industries			Agro-based Industries	Metal-based Industries	Chemical-based Industries	Transport Equipment & Allied Industries	Energy Output@
								Total	Durable Goods	Non-durable Goods					
Weight	100·00	9·69	81·08	9·23	32·28	15·25	20·95	31·52	3·41	28·11	33·68	21·93	12·86	10·79	18·51
1975	**119·2**	127·9	116·0	138·6	129·0	130·1	113·7	107·4	106·0	107·6	106·1	123·1	128·9	116·1	132·0
1976	**133·7**	136·8	130·3	160·3	147·5	143·8	122·2	118·4	120·0	118·2	112·2	135·4	151·0	132·6	146·6
1977	**138·3**	139·9	135·1	165·4	155·0	151·7	125·8	126·0	137·0	124·6	114·8	144·8	161·4	130·9	151·4
1978	**147·8**	142·2	144·4	183·6	162·4	156·8	135·8	138·3	147·9	137·1	124·5	154·3	177·8	132·0	163·1
1979	**149·5**	148·5	144·7	193·0	166·2	161·0	139·6	135·3	156·8	132·7	121·6	157·7	183·2	134·6	171·6
1980	**150·7**	144·2	146·1	197·3	164·6	168·4	140·7	135·9	162·3	132·7	125·4	162·2	178·8	136·6	171·0
November, 1980	**153·8**	140·0	149·7	213·2	171·5	166·1	140·8	140·7	163·6	137·9	126·5	161·4	183·3	135·8	177·0
December, 1980	**169·5**	165·0	164·7	216·0	185·7	196·0	146·5	157·8	175·6	155·6	139·9	172·4	195·0	151·9	188·2
January, 1981	**166·5**	174.0	160·3	213·5	186·6	185·5	144·7	157·8	167·2	156·7	142·1	175·3	196·9	143·9	193·3
February, 1981	**161·2**	179·0	154·8	199·3	180·8	175·9	139·3	151·1	167·2	149·1	133.8	168·0	191·9	144·3	189·9
March, 1981	**176·2**	200·0	168·6	225·4	205·8	221·2	145·7	148·7	166.0	146·6	135·2	200·6	201·4	164·5	213·5
April, 1981	**156·2**	160·0	148·6	219·1											
May, 1981	**157.5**	159·0	149·9	223·0											
June 1981	**157.3**														
July, 1981	**162·9**														
A year ago†	**147·9**	141·0	138·7	187·1	175·3	213·7	137·3	136·2	177·9	131·1	123·1	195·8	177·0	162·9	180·4

Note:—Figures for the *last three* months are provisional and *generally* subject to revision. *Derived series (R.B.I. Classification). Revisions are carried out in the group indices as and when advised by the C.S.O. @Consists of coal and lignite, petroleum crude and products, and electricity.

†Figures in this row relate to that month in the previous year corresponding to the latest month for which data are presented.

Original Source: Central Statistical Organisation.

Statement of Affairs of the Reserve Bank of India : 1975-76 to 1981

(Issue and Banking Departments Combined)

(Rs. Crores)

As on last Friday/ Friday	LIABILITIES: Notes in Circulation	Deposits: Total	Of which: Central and State Governments	Of which: Scheduled Commercial Banks	Other Liabilities	Total Liabilities/ Assets 1+2+3 = Total 5 to 11	ASSETS: Foreign Exchange Assets[1]	Gold Coin and Bullion	Government of India Rupee Securities	Loans and Advances: Total	Of which: State Governments[2]	Of which: Scheduled Commercial Banks	Bills Purchased and Discounted	Investments	Other Assets[3]
	(1)	(2)	(2a)	(2b)	(3)	(4)	(5)	(6)	(7)	(8)	(8a)	(8b)	(9)	(10)	(11)
1975-76	6,535	2,913	671	607	2,137	**11,585**	1,518	183	6,105	2,053	304	798	739	444	544
1976-77	7,743	3,664	388	1,146	2,213	**13,620**	2,768	188	6,500	2,430	327	967	531	215	988
1977-78	8,602	6,287	2,771	1,674	2,927	**17,816**	3,889	193	6,645	2,106	402	331	2,809	1,077	1,096
1978-79	10,267	4,876	723	2,634	3,222	**18,365**	4,655	219	7,366	2,352	170	546	1,675	852	1,246
1979-80	11,820	5,863	710	3,634	4,169	**21,852**	4,782	225	8,891	2,780	191	739	2,516	1,255	1,404
1980-81	13,733	6,520	789	4,092	5,108	**25,361**	4,320	226	11,110	3,504	599	589	3,162	1,593	1,446
April, 1981	14,139	5,686	88	3,969	5,451	**25,276**	4,208	226	11,515	3,602	870	546	2,632	1,526	1,568
May, 1981	14,385	5,693	68	4,127	5,366	**25,444**	4,100	226	11,765	3,594	962	548	3,035	1,255	1,469
June, 1981	14,436	6,044	68	4,517	5,487	**25,967**	3,932	226	13,467*	3,656	1,042	564	2,826	389**	1,471
July, 1981	14,445	8,782	2,268	5,006	5,141	**28,372**	3,932	226	13,467*	3,674	1,013	546	5,236	389**	1,448
August, 1981	13,586	8,797	2,531	4,513	5,251	**27,634**	3,436	226	13,032*	3,445	697	562	4,980	351**	2,164
September, 1981	13,545	6,974	800	4,709	5,376	**25,895**	3,319	226	12,835*	3,630	762	586	4,237	360**	1,288
October 2, 1981	13,685	6,102	65	4,593	5,567	**25,352**	3,386	226	12,893	3,813	911	600	3,366	371**	1,296
A year ago	11,577	6,452	1,060	3,923	4,247	**22,676**	4,872	225	9,930*	2,604	216	462	2,834	363**	1,847

[1] Foreign securities plus balances held abroad. The latter includes cash, short term securities and fixed deposits. [2] Including temporary overdrafts. [3] Including rupee coins and Government of India one rupee notes. * Including *ad-hoc* treasury bills. ** Includes investments in foreign shares/bonds but excludes those in rupee securities.

All Scheduled Commercial Banks* —Business in India : 1975-76 to 1981

(Amounts in Rs. Crores)

As on last Friday/ Friday	Deposits: Demand†	Deposits: Time†	Deposits: Aggregate (1a+1b)	Borrowings from Reserve Bank[1]	Cash in hand and Balances with Reserve Bank[2]: Cash in hand	Balances with Reserve Bank[2]	Total 3a+3b	Investments: Government Securities[3]	Other Approved Securities	Total (4a+4b)	Bank Credit[4]: Total	Of which Food Credit	Select Ratios (in per cent): Cash to Deposit	Investment to Deposit	Credit to Deposit	Food Credit to Total Bank Credit
	(1a)	(1b)	(1) =	(2)	(3a)	(3b)	(3)	(4a)	(4b)	(4)	(5)	(5a)	(6)	(7)	(8)	(9)
1975-76	5,817	8,338	**14,155**	798	305	607	**912**	3,283	1,324	**4,607**	**10,877**	1,521@	6·44	32·55	76·84	13·98
1976-77	6,943	10,623	**17,566**	967	354	1,146	**1,500**	3,930	1,606	**5,536**	**13,173**	2,190@	8·54	31·52	74·99	16·62
1977-78	8,867	13,344	**22,211**	331	469	1,674	**2,143**	5,907	1,990	**7,897**	**14,939**	1,984	9·65	35·55	67·26	13·28
1978-79	10,388	16,628	**27,016**	546	557	2,634	**3,191**	6,621	2,488	**9,109**	**17,795**	2,210	11·81	33·72	65·87	12·42
1979-80	10,962	20,797	**31,759**	739	616	3,634	**4,250**	7,444	3,181	**10,624**	**21,537**	2,100	13·38	33·45	67·81	9·75
1980-81	7,856	29,991	**37,847**	589	756	4,092	**4,848**	9,079	4,112	**13,190**	**25,270**	1,759	12·81	34·85	66·77	6·96
April, 1981	7,766	30,688	**38,454**	546	768	3,969	**4,736**	10,226	3,970	**14,196**	**25,704**	1,705	12·32	36·92	66·84	6·63
May, 1981	7,899	31,325	**39,225**	548	818	4,127	**4,945**	10,096	4,090	**14,186**	**26,143**	2,118	12 61	36 17	66 65	8. 10
June, 1981	8,090	31,837	**39,927**	564	881	4,517	**5,393**	10,087	4,230	**14,316**	**26,294**	2,213	13·52	35·86	65·86	8 42
July, 1981	8,105	32,507	**40,612**	546	853	5,006	**5,860**	10,580	4,306	**14,886**	**26,779**	2,168	14 43	36. 65	65 94	8. 10
August, 1981	8,141	32,847	**40,988**	562	835	4,543	**5,379**	10,560	4,380	**14,940**	**26,791**	2,022	13·12	36·45	65·36	7·55
September, 1981	8,019	33,371	**41,390**	586	824	4,709	**5,533**	10,333	4,501	**14,835**	**27,035**	1,875	13 37	35 84	65·32	6·94
October 2, 1981	8,095	33,389	**41,484**	600	820	4,593	**5,412**	10,345	4,572	**14,918**	**27,142**	1,872	13·05	35·96	65·43	6·90
A year ago	9,432	25,027	**34,460**	462	662	3,923	**4,585**	8,867	3,637	**12,504**	**22,449**	1,876	13·31	36·29	65·15	8·36

* Inclusive of the figures pertaining to Regional Rural Banks. † On various dates commencing from January 1978 a number of scheduled commercial banks have classified a larger proportion of their savings deposits as time deposits and a smaller proportion as demand deposits. [1] As available in the Reserve Bank records. [2] As per the statement of affairs of the Reserve Bank of India. [3] At book value; including treasury bills and treasury deposit receipts, etc. [4] Effective July 27, 1979, the data are inclusive of *all* participation certificates (PCs) issued by scheduled commercial banks, i.e. to other banks *and* financial institutions. Prior to this date, the data were inclusive of PCs issued to *banks only and not to financial institutions.* @ Figures relate to advances of *Indian* Scheduled Commercial Banks. Later figures include such advances by *Foreign* Scheduled Banks also.

Money Stock Measures

(Rs. Crores)

As on last Friday/Friday	Currency with the Public		Deposit Money of the Public		M_1* (1+2)	Post Office Savings Bank Deposits	M_2 (3+4)	Time Deposits with Banks*	M_3 (3+6)	Total Post Office Deposits	M_4 (7+8)
	Total	*Of which* Notes in Circulation	Total	*Of which* Demand Deposits with Banks*							
	(1)	(1a)	(2)	(2a)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1975-76	6,704	6,492	6,439	6,385	**13,143**	1,475	14,618	9,143	**22,286**	3,179	25,465
1976-77	7,873	7,700	7,736	7,636	**15,609**	1,537	17,146	11,671	**27,280**	3,607	30,887
1977-78	8,631	8,559	9,752	9.683	**18,383**	1,677	20,060	14,522	**32,905**	4.130	37,035
1978-79	10,212	10,224	11,607	11,405	**21,819**	1,850	23,669	18,070	**39,889**	4.777	44,666
1979-80	11,687	11,777	12,585	12,174	**24,272**	2,036	26,308	22,528	**46,800**	5,658	52,458
1980-81	13,461	13,690	9,807	9,396	**23,268**	2,238	25,506	32,046	**55,314**	6,512	61,826
June, 1980	12,051	12,323	12,120	11,881	**24,171**	2,020	26,191	24,659	**48,830**	5.763	54,593
September, 1980	11,646	11,784	11,915	11,735	**23,561**	2,052	25,613	26,004	**49,565**	5,944	55,509
December, 1980	12,629	12,874	9,014	8,795	**21,643**	2,083	23,726	31,068	**52,711**	6,095	58,806
March, 1981	13,461	13,690	9,807	9,396	**23,175**	2,238	25,506	32,046	**55,314**	6,512	61,826
April, 1981	13,859	14,095	9,617	9,353	**23,476**	2,191	25,667	32,799	**56,275**	6,500	62,775
May, 1981	14,053	14,342	9,640	9,487	**23,693**	2,191	25,884	33,437	**57,130**	6,500	63,630
June, 1981	14,042		9,779	9,664	**23,821**			33,957	**57,778**		
July, 1981	14,061		9,958	9,781	**24,019**			34,730	**58,749**		
August, 1981	13,219		9,961	9,780	**23,180**			35,066	**58,246**		
September, 1981	13,191		9,812	9,665	**23,003**			35,586	**58,589**		
A year ago	11,646		11,915	11,735	**23,561**			26,004	**49,565**		

*On various dates commencing from January 1978, a number of scheduled commercial banks have classified a larger proportion of their savings deposits as time liabilities (deposits) and a smaller proportion as demand liabilities (deposits).

Sources of Change in M_3

(Rs. Crores)

As on last Friday/Friday	Net Bank Credit to Government			Bank Credit to Commercial Sector*			Net Foreign Exchange Assets of Banking Sector			Government's Currency Liabilities to the Public	Banking Sector's Net Non-monetary Liabilities (Other than Time Deposits)			M_3 (1+2+3+4+—5)
	RBI's Net Credit	Other Banks' Credit	Total (1a+1b)	RBI's Credit	Other Banks' Credit	Total (2a+2b)	RBI's	Other Banks'	Total (3a+3b)		of RBI	Residual	Total (5a+5b)	
	(1a)	(1b)	(1)	(2a)	(2b)	(2)	(3a)	(3b)	(3)	(4)	(5a)	(5b)	(5)	(6)
1975-76	6,697	3,414	**10,112**	721	14,671	**15,392**	1,078	15	**1,094**	**555**	2,577	2,290	4,867	**22,286**
1976-77	6,926	4,096	**11,022**	887	17,617	**18,503**	2,542	—70	**2,471**	**568**	2,833	2,451	**5,284**	**27,280**
1977-78	7,387	6,083	**13,470**	954	20,268	**21,222**	4,532	- 87	**4,445**	**593**	3,452	3,373	**6,825**	**32,905**
1978-79	8,568	6,823	**15,391**	1,248	24,100	**25,347**	5,506	—72	**5,434**	**603**	3,312	3,574	**6,886**	**39,889**
1979-80	11,534	7,696	**19,230**	1,547	29,085	**30,632**	5,494	—93	**5,401**	**592**	3,930	5,125	**9,055**	**46,800**
1980-81	16,443	9,363	**25,806**	1,700	34,620	**36,320**			**4,682**	**609**	5,362	6,741	**12,103**	**55,314**
June, 1980	12,423	8,724	**21,147**	1,562	29,748	**31,310**	4,967	—93	**4,874**	**600**	3,857	5,244	**9,101**	**48,830**
September, 1980	12,503	9,742	**22,245**	1,522	30,141	**31,667**	5,095	—93	**5,002**	**600**	4,483	5,466	**9,949**	**49,565**
December, 1980	13,871	9,312	**23,183**	1,623	32,742	**34,365**	4,735	—93	**4,642**	**607**	4,270	5,816	**10,086**	**52,711**
March, 1981	16,443	9,363	**25,806**	1,700	34,620	**36,320**			**4,682**	**609**	5,362	6,741	**12,103**	**55,314**
April, 1981	16,000	10,515	**26,515**	1,709	34,913	**36,622**	4,607	—93	**4,514**	**611**	4,993	6,994	**11,987**	**56,275**
May, 1981	16,496	10,385	**26,881**	1,689	35,470	**37,159**	4,496	—93	**4,403**	**609**	5,004	6,918	**11,922**	**57,130**
June, 1981	17,278	10,391	**27,669**	1,690	35,689	**37,379**			**4,155**	**609**	5,113	6,921	**12,034**	**57,775**
July, 1981	17,469	10,901	**28,370**	1,765	36,297	**38,062**			**3,930**	**611**	4,787	7,437	**12,224**	**58,749**
August, 1981	16,195	10,876	**27,071**	1,759	36,322	**38,081**			**3,623**	**609**	4,390	6,748	**11,138**	**58,246**
September, 1981	17,054	10,652	**27,706**	1,784	36,664	**38,448**			**3,515**	**611**	5,171	6,520	**11,691**	**58,589**
A year ago	12,503	9,742	**22,245**	1,522	30,145	**31,667**			**5,002**	**600**	4,483	5,466	**9,949**	**49,565**

*Includes public sector enterprises.

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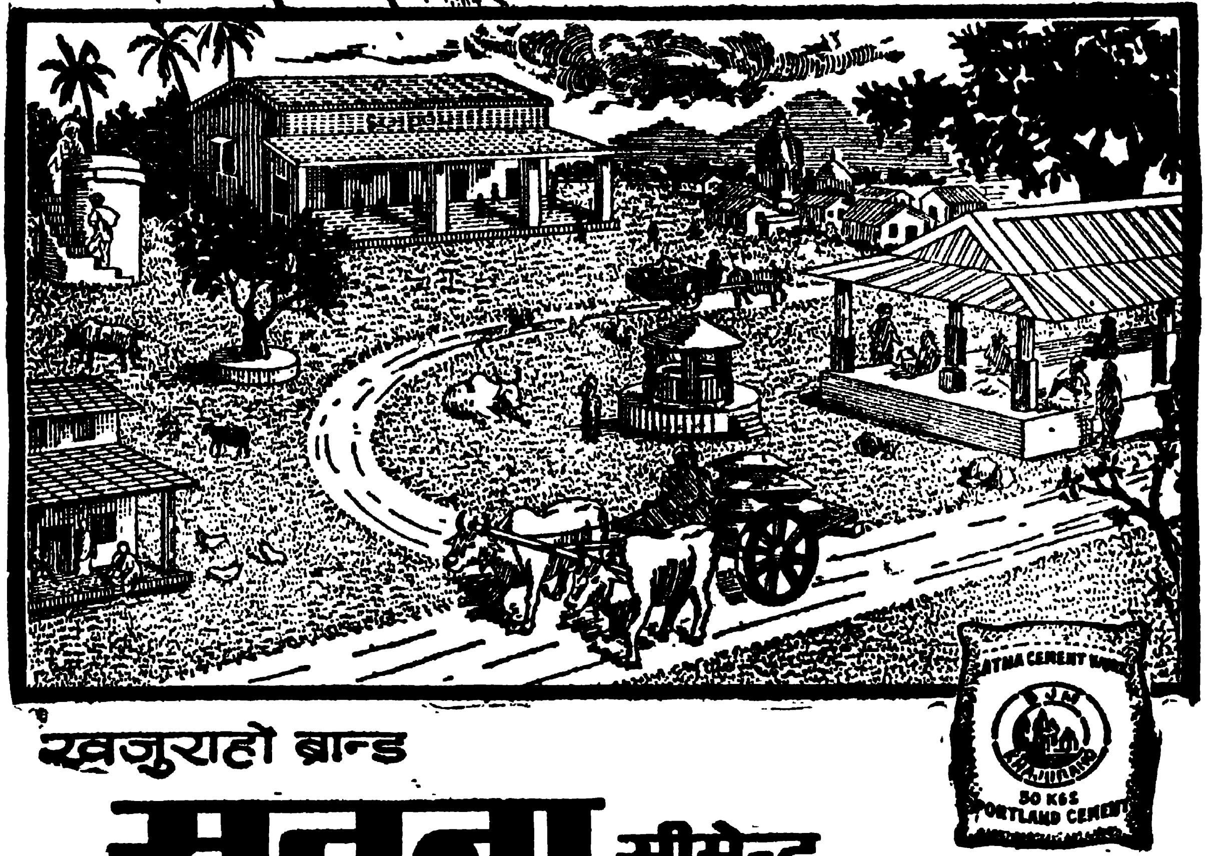

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निर्माता: सतना सीमेन्ट वर्क्स, सतना (म.प्र.)

Printed and published by R.P. Agarwala on behalf of the Eastern Economist Ltd., United Commercial Bank Building, Parliament Street, New Delhi, at the New India Press, K-Block, Connaught Circus, New Delhi.
Editor : Swaminathan S. Aiyar

Registered at the GPO, London
as a newspaper

Licensed to post without prepayment U-54, Regd. No. D(C) 237
Registered with the Registrar of Newspapers of India under No. R.N. 535/57

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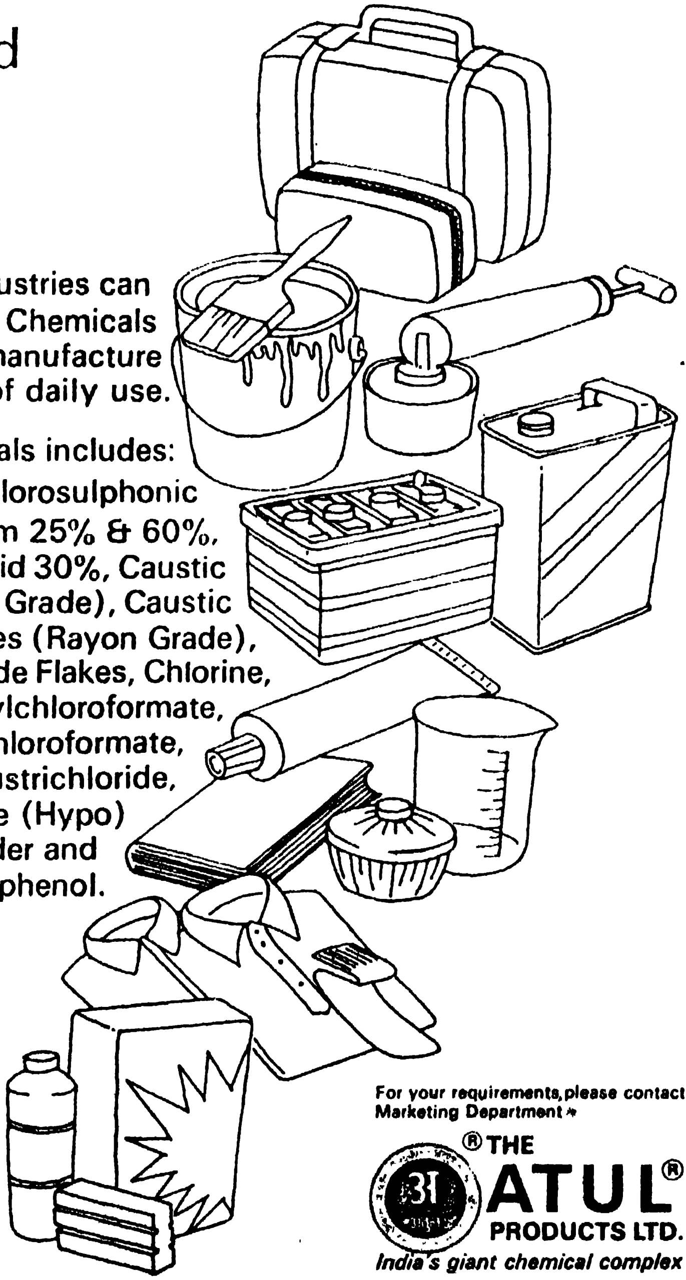

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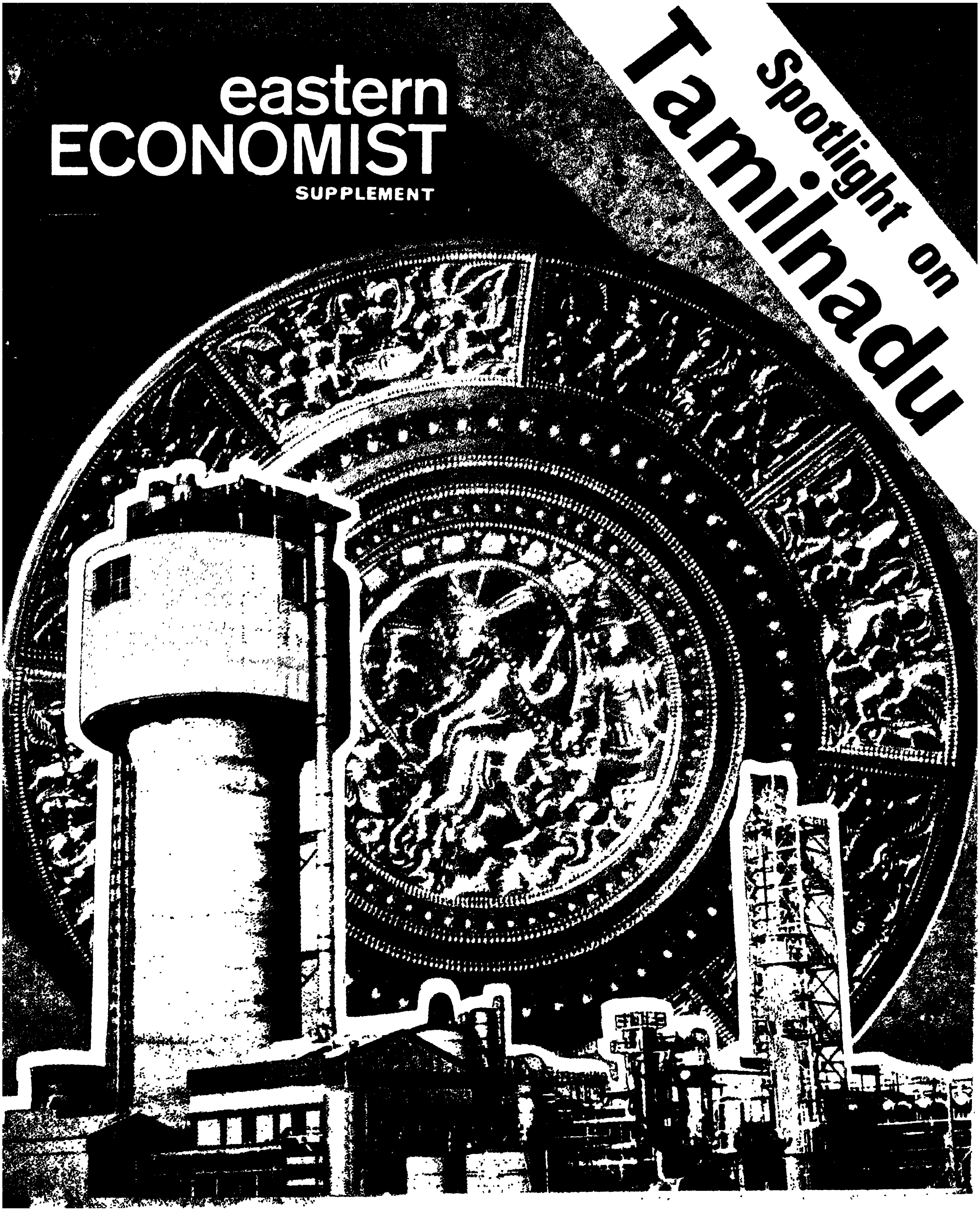

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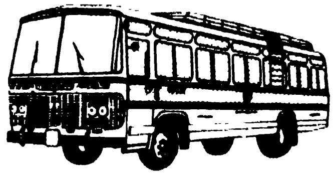

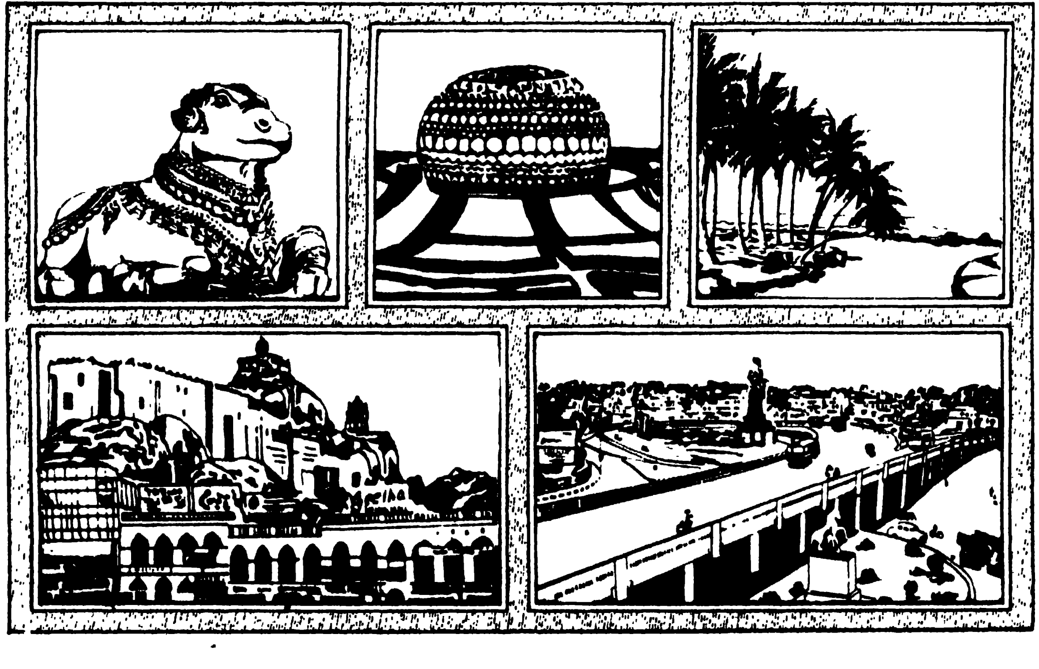

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DIPR/Sobhagya

eastern ECONOMIST
Vol. 77
Special Supplement on Tamilnadu
October 9, 1981
No. 15

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Production:
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Spotlight on Tamilnadu

OUR FIRST special supplement on Tamilnadu highlighting the State's problems of growth was brought out exactly 10 years ago. We then observed: "Two decades of sustained efforts by the Government and private entrepreneurs have brought a spectacular transformation of the predominantly agrarian economy of the State. What may be described as an economic miracle has been achieved. From self-sufficiency in food production, the State has advanced to a surplus position which is likely to increase as the green revolution gathers momentum. An impressive infrastructure for an industrial leap forward has been built up. The basic factors which contributed to this consummation were political stability, a Government devoted to industrial expansion uninhibited by ideological complexes, private entrepreneurs ready and willing to take risks and exploit the opportunities, adequate availability of technical skill at all levels and an intelligent labour force, on the whole generally co-opertive". At the same time, we also sounded a note of warning that the economic meteorologist was disturbed by the dark clouds gathering on the horizon.

The developments of the intervening 10 years have proved in abundance that the apprehension to which we gave expression was fully warranted. The passing of power from the Congress to a regional party could have lent greater political stability to the Government and accelerated the tempo of economic development. These were the hopes that most people entertained then. On the other hand, a climate totally inhospitable to industrial or agricultural progress developed largely due to political tension. In agriculture the decade witnessed some improvement. The cultivated area had already reached the saturation point and now the State had to turn to systematic exploitation of ground water. This yielded handsome reward in production. The State has now nearly eight lakh irrigation pumpsets, perhaps the largest number of all the States in India. With the fall in the level of the water table and the rise in the cost of power, exploitation of ground water is a limited possibility in future. Increase in agricultural production should therefore depend in the coming years on scientific and economic management of the available water resources particularly in the context of unsuccessful attempt so far to reach an agreement with the adjoin-

"Spotlight on Tamilnadu", a special supplement issued with *Eastern Economist* dated October 9, 1981, has been written and produced under the editorial guidance of the veteran journalist, Mr V. Ramaratnam (formerly Chief of News Bureau, All India Radio), and our Special Representative in South India, Mr K.S. Ramanujam. Mr Ramanujam has also been entirely responsible for the business direction of this issue.

ing Karnataka over the Cauvery waters and Kerala in the diversion of that State's west flowing rivers.

It is in the field of industry that Tamilnadu has suffered a signal setback during the decade. Many opportunities were not availed of by the Government. The deceleration in the rate of industrial investment in the private sector coupled with the total absence of any new Central project in the public sector, the failure of infrastructure facilities to grow in response to the demands of industries and, more than all, the unending trouble in the labour unions, largely a reflection of mutual strife among two contending political parties, contributed to stagnation, in fact, a retreat from the very promising position occupied by the State at the end of the Sixties. The Government is far too preoccupied with the problems of continuing in office to give any attention to the people at large. Mr S. Narayanaswamy, doyen of Tamilnadu industrialists, has described the current situation thus: "The Ministers in Madras are occupying their time on completely inconsequential matters. In fact all the debates between the party in power and the party in opposition have no bread-and-butter content and are not calculated to increase or augument wealth creating activities in the State.

Causes of Stagnation

Mr C. Subramaniam, who was an important member of the Government of Tamilnadu for many years and an architect of its development, analysing the causes of the present industrial stagnation in the State, has attributed it to incapacity or unwillingness to take decisions at the highest levels, administrative incompetence, political exploitation of labour and, last but not least, the kind of confrontation between the two regional parties which bedevils the political scene in the State. In a lengthy interview with our Special Representative, Mr K.S. Ramanujam, Mr Subramaniam has made a number of suggestions to revitalise the industrial scene in the State. First, the State must get maximum return from the investments already made. For instance it was because of political interference, the State Electricity Board had signally failed in power generation. Second, labour must be free from political interference. Third, the administration should be responsive to the needs of industries by going forth to provide whatever may be the requirements of the entrepreneurs. Senior officers should be entrusted with these responsibilities. It is because of lack of delegation of such powers that industrial development is impeded and entrepreneurs get disinterested. Both Mr Subramaniam and Mr Narayanaswamy have called for greater communication between the Ministers and the entrepreneurs. Mr. Narayanaswamy has said that the first step in this direction is for the economic sector of the Ministry, such as the Ministers for Industry, Labour and also the Chief Minister to invite entrepreneurs and have talks with them periodically on their problems and possible solutions.

There are quite a few danger signals on the industrial scene which no Government can ignore with impunity. Entrepreneurs already here are said to be thinking of migrating to more hospitable neighbouring States not only for setting up new plants but also for transfering the old ones. Second, labour trouble has become endemic even in the new industrial settlements like Hosur. Some of the industrialists who went there on hopes of comparative industrial peace, are disillusioned. This is due to inter-union rivalry, the result of political interference. It is only by removing the root causes and by an uninhibited dialogue with the industrialists that the Government of Tamilnadu can hope to make progress in the industrial field and refurbish the State's fading image.

In conclusion, we may quote what a former editor of *Eastern Economict* wrote of an interview with the Chief Minister, Thiru M.G. Ramachandran, soon after he was re-elected to the leadership of the State in June, 1980.

"No honeymoon—the usual one, or the political—lasts for ever. The public will be patient no doubt but it will not wait indefinitely. In other words, a great responsibility rests primarily on MGR to show early enough that he has come to his resumed responsibilities in a more purposeful spirit and with a better organized concept of what is expected of his Government by the electorate which has given him such a spectacular tribute of its faith, of its esteem for him as an individual, and its faith in his intention to serve the people of Tamilnadu."

Politics Regionalised

Politics in Tamilnadu has become completely regionalised in recent years. All-India parties do not carry much weight here. The regional parties are swaying the people of Tamilnadu for the present. It is not, therefore, surprising that all the all-India parties, namely, Janata, Congress-I, Lok Dal, Congress (U) etc are all trying to get round the DMK and the AIADMK. One cannot now say how long this state of affairs will prevail in the politics of Tamilnadu. It is only when the language problem is completely solved and Tamilnadu's needs of water and other resources for its development are fully assured through all-India legislation or agreement with neighbouring States that this trend towards regional politics may abate and tend towards national politics. This is a matter which requires careful consideration of all our political leaders.

Indian nation's Elder Statesman from Tamilnadu, Late Mr K. Santhanam, made this observation in 1979. How true this is even today.

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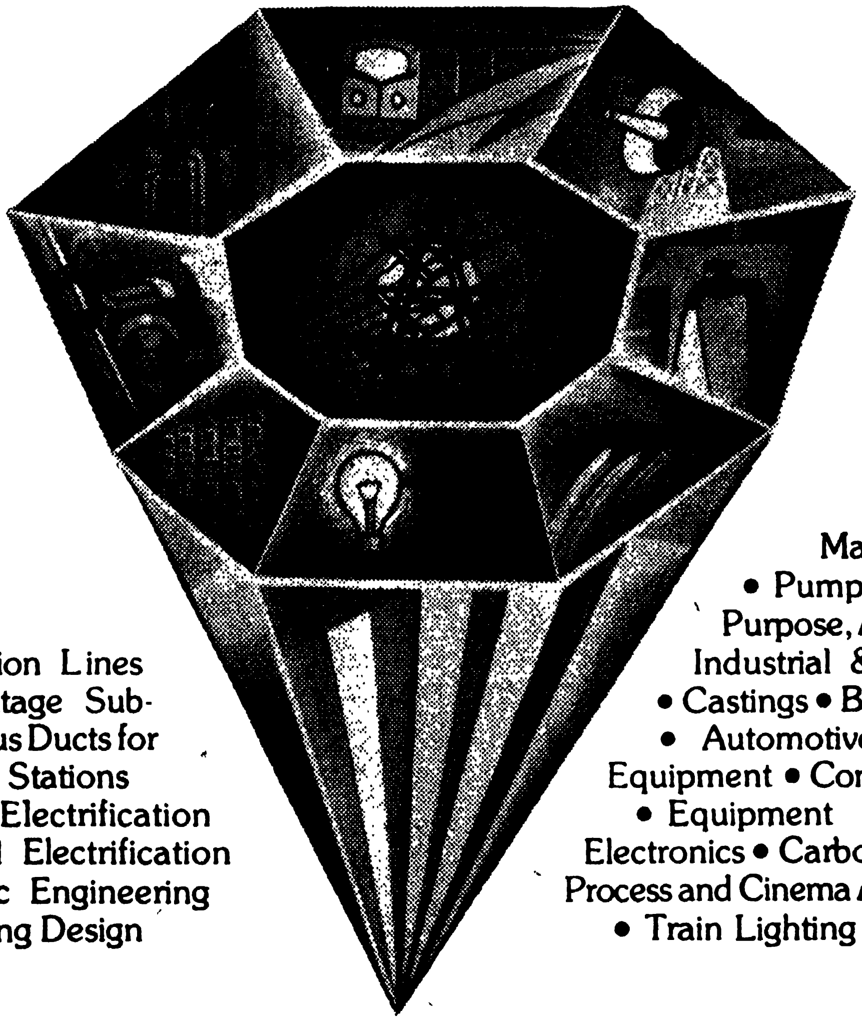

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MESSAGES

RAJ BHAVAN
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I welcome the publication of a special issue of 'Eastern Economist' on Tamilnadu, particularly because an in-depth study of the problems, plans and achievements of an individual State can be boldly seen on the national canvas and a broad assessment made of the needs of the future.

We all agree that the people below poverty line should receive top priority in economic development. There are other imperatives too. Growth does not take place nor has it taken place in Tamilnadu at the same rate year after year. The very growth in one particular direction, gives rise to new problems. Each State has also its own special problems. Tamilnadu has very nearly exhausted all its hydel resources but it is in need of more power. In respect of agriculture, it has now to turn to underground water. This year we had drought conditions in a number of districts, affecting food production.

Long range problems do not admit of short-term solutions. The strategy, therefore, that we have adopted for the Sixth Plan consists in moving simultaneously to strengthen the infrastructure for both agriculture and industry. This would create conditions for an accelerated growth in investments, output and exports, and to provide through special programmes, increased opportunities for employment especially in the rural areas and the unorganised sector and fulfil the minimum basic needs of the people. We have enough technical personnel in the State and more can be created.

I have reasons to hope that the peace-loving and hard-working people of Tamilnadu will rise to the occasion, promote the prosperity of the State and make a significant contribution to the strengthening of our national economy.

—SADIQ ALI

वित्त मन्त्री, भारत
FINANCE MINISTER,
INDIA
NEW DELHI

I am glad that 'Eastern Economist' will be bringing out a special issue on Tamilnadu. The problems of Tamilnadu are scaled down replicas of our national problems. It is therefore appropriate that a special issue of a widely read economic journal, focussing on the problems and prospects of an important State in the country, should be released.

Tamilnadu has immense potential and offers exciting prospects for development. At the same time, the immensity of the problems of unemployment, poverty and inequities amidst a diversity of cultures and religious persuasions in the State, offers a challenge that cannot be under estimated. The dynamic entrepreneurial community, the highly talented and hard working populace and the Government should join together and endeavour to find imaginative and effective solutions to these ills which have persisted despite three decades of development.

Tamilnadu has always been in the vanguard of national effort and its contributions to nation building have been and always will be significant and exemplary. I am sure that this assessment will be borne out by the contributions to the special issue.

—R. VENKATARAMAN

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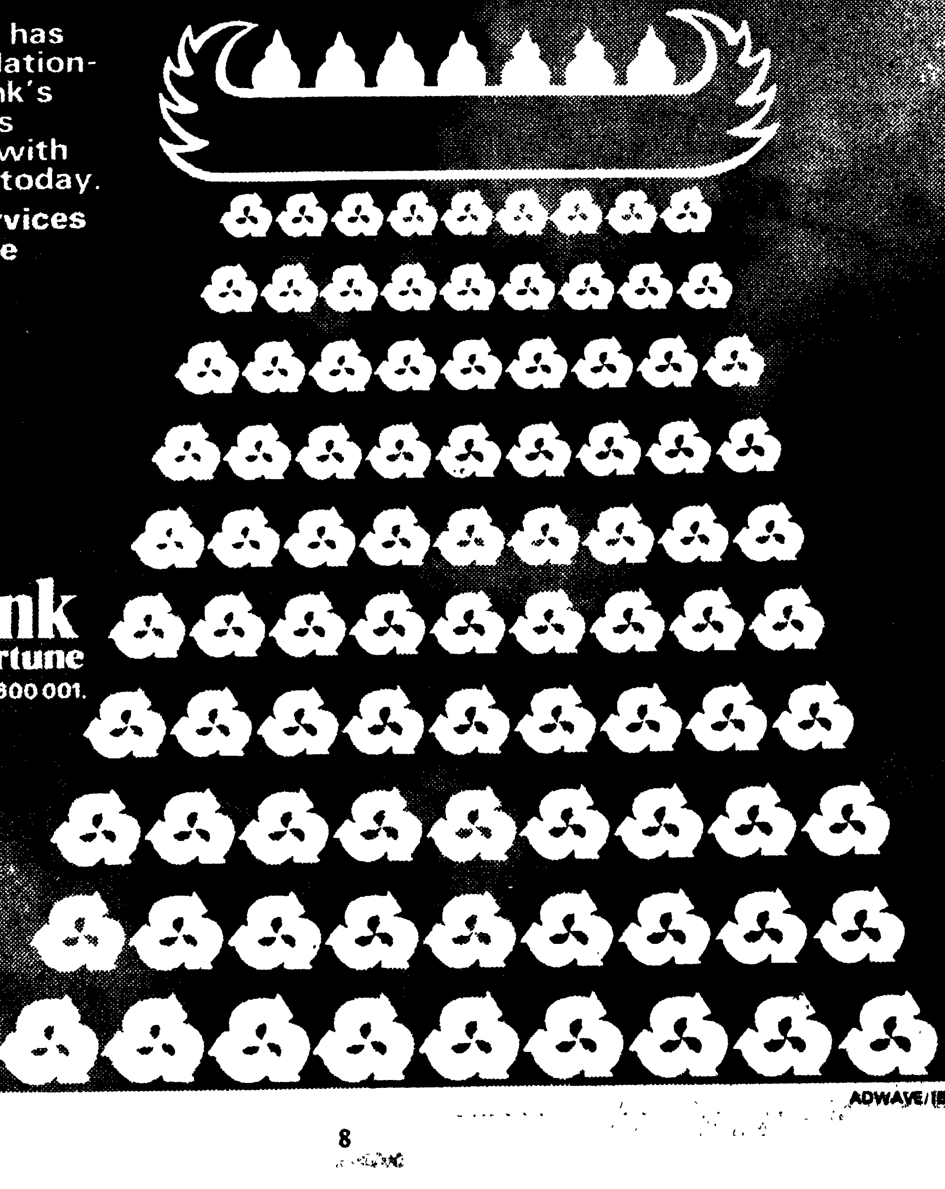

Curbing Inflation and Rising Prices

An interview with Chief Minister recalled

"The State Government should have more freedom.... The Centre has often been insensitive to the State's Special Problems"—M.G R.

Soon after Mr M. G. Ramachandran, Chief Minister of Tamilnadu, took office following the landslide victory of his party in the elections in 1980, the then Editor of this journal, Mr V. Balasubramanian, had an interview with him lasting for over 100 minutes.

Following are extracts from Mr Balasubramanian's impressions.

M. G. Ramachandran

MGR HAD had another busy day, after the hectic activity and excitement of the swearing-in ceremony and public appearances the day before. At his residence in Theagarajanagar, his partymen and admirers from the districts were waiting to have a look at him and perhaps have him address a few words to them. The crowd was swelling fast and steadily as I went upstairs for the interview. Looking relaxed and refreshed after a nap, MGR promptly let it be known that he was free for an informal and leisurely discussion. The interview in fact lasted until it became imperative for him not to keep the people outside waiting any longer.

MGR did most of the talking and I, of course, would not have had it different. It took me just a few seconds to set the ball rolling. I remarked that it was amazing how genuinely and sincerely enthusiastic the people of the State seemed to be about the political process, seeing that the general impression in the country was that the electorate was becoming disillusioned and cynical about politicians and elections. MGR replied that quite possibly things were somewhat different in Tamilnadu as compared with some other parts of the country since in this State the people did have options in deciding who or which party should be in the State Government.

He said that the public in Tamilnadu were definitely holding on to the expectation and hope that the State Government could give a good account of itself under reasonably favourable circumstances and this was among the circumstances which made him conscious of his responsibilities to serve the people as well as he and his party could.

MGR lost no time in making it clear that the urgent preoccupation of his administration would be to see what it could do to relieve the hardship caused to the public by inflation and rising prices. He also explained equally promptly that no State Government could do much on its own to bring down prices or prevent them from rising. He mentioned that right now the prices of petroleum products had been increased by the Central Government and that the higher costs of diesel would necessarily provoke increase in prices all round as transport costs went up. In such circumstances, what the State Government could do to improve the situation, he explained, was limited to effective administrative or other measures for discouraging hoarding and profiteering so that at least in the case of goods which were not in short supply, prices were not artificially manipulated. He disclosed that his Government was trying to enlist active public cooperation with the official agencies in dealing with anti-social practices on the part of manufacturers or traders.

MGR made no secret of his and his Government's anxiety about the problems caused to the farmers in the State by the increase in fertiliser prices which is now on its way following the upward revision of petroleum products. This subject in fact had figured in an informal meeting of the Cabinet which had met earlier in the day and the Chief Minister indicated that the Cabinet would be formally discussing the issue next day. Meanwhile he himself saw no way of refusing farmers higher price for paddy in the light of the increase in the cost of farm inputs. In his view paddy prices had been quite unremunerative all along and he said this had greatly contributed to the chronic and crippling indebtedness of small and marginal farmers. He was quite emphatic on the need for radical reorientation in New Delhi's policy for farm prices particularly the price of paddy. He made it clear that the State Government would

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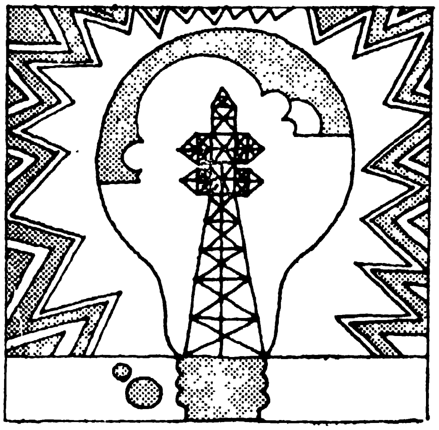

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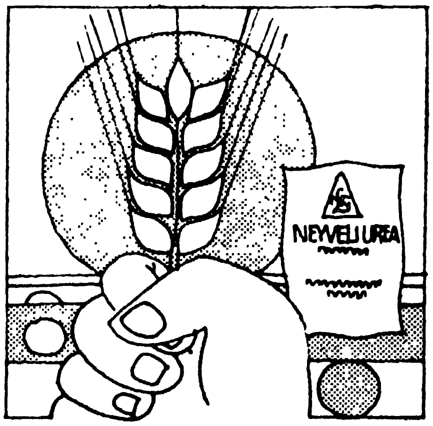

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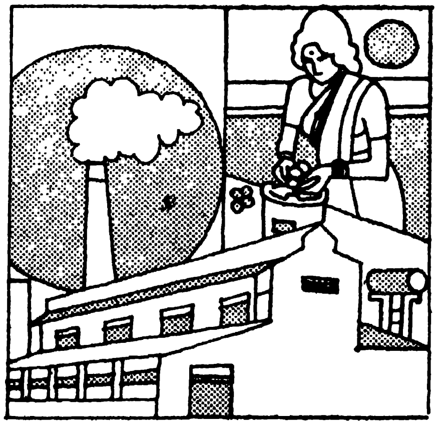

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lose no time in seeking a purposeful dialogue with the Centre on the State's claim and demand for an economic and fair price deal for the cultivators of paddy.

Food-for-Work Programme

MGR indicated that another subject which had to be discussed with the Centre without delay was the latter's plan relating to the Food for Work Programme. According to him thanks to this programme, the Tamilnadu Government during the first short-lived term of the AIADMK Ministry had been able to give work to about two million people. This programme had simultaneously helped to implement schemes for digging wells, repairing and maintaining other irrigation sources and laying roads in the countryside. New Delhi however is again, according to him, having second thoughts about the continuance of the Food for Work Programme. MGR asserted with some emotion that it would be a tragedy if the programme was given up and that his Government would spare no effort to convince the Centre of the necessity of this programme being kept going.

Referring to the vexing question of the State being given more autonomy in areas where the Centre's authority or jurisdiction is now felt to be oppressive, the Chief Minister said he was convinced that the State Government should have more freedom including the right to frame and implement policies for rural industries as well as industries in the small-scale or medium-scale sectors.

He feels that the Centre could be and has often been insensitive to the special problems and particular needs of the State in respect of the growth of these industries. MGR explained that Tamilnadu, relatively speaking, had fewer opportunities than some other States of promoting large scale industries requiring much investment. His grievance, indeed, was that earlier, when he was in office, many proposals put forward by the State Government for attracting large scale industries to Tamilnadu in the private sector had been discouraged or hampered by what he seemed to feel was distinct lack of enthusiasm on the part of the Central Government. In his view this has made it all the more necessary for him and his Government to think of seeking and securing more autonomy for the State for deciding policies for the faster growth of the rural and small-scale industrial sector and also medium-scale manufacturing units, for example, spinning mills with fewer spindles than what the Centre's industrial licensing policy seemed to favour as a minimum complement.

Electoral Reform

MGR, possibly because he thought my own interests would be economic, did not speak at length on political matters. He however did make a few interesting observations on a couple of important subjects. MGR said that public cooperation was vital to the success of any Government, whether in the State capitals or New Delhi. He himself was completely convinced that the involvement of the people in public affairs would not be genuine or adequate so long as the influence of big money, as he hinted, continued to be conspicuous in legislatures or Governments. This led him to reflect, rather philosophically, on the need for far-reaching reforms of the electoral process.

With disarming candour, he said that although his own party had been returned to the State Assembly with a large majority, the voting pattern showed that quite a considerable segment of the electorate had in reality played no part at all in deciding election results. If this was so even in Tamilnadu where the percentage of the votes polled to the total size of the electorate was comparatively satisfactory, the conditions in other States where lower percentage of votes were cast could be far less reassuring. MGR said that after so many general elections since independence, it was not too soon for the people or political leaders to start thinking in earnest of rendering the democratic process more meaningful. For an extremely popular politician, who has just received an impressive mandate, this is certainly a touching attitude of introspection and disarming open-mindedness.

Inequitable Dispersal—MGR

Addressing a seminar on Industrial Development in Tamilnadu on September 29, 1979, the Chief Minister of Tamilnadu made out that one of the reasons for the slower tempo of industrialisation in Tamilnadu in recent years was that fewer Central public sector undertakings have been established here as compared to Bihar and Madhya Pradesh.

The Central sector undertakings in Tamilnadu are the following :

(1) Neyveli Lignite Corporation, (2) Madras Refineries, (3) Bharat Heavy Electricals, (4) Hindustan Photo Films Manufacturing Co. Ltd, (5) Indian Drugs and Pharmaceuticals Ltd, (6) Hindustan Teleprinters, (7) Oil and Natural Gas Commission, (8) Madras Fertilizers, (9) Indian Rare Earths and (10) Modern Bakeries.

Here is a statement showing the State-wise investment position in Central public sector undertakings.

States	Central Govt. investment in the States as on 1-4-1979 (Rs in crores)	Per capita investment (nearest rupee)	Rank
1 Andhra Pradesh	390.7	81	13
2 Assam	312.9	177	4
3 Bihar	2,509.1	402	1
4 Gujarat	523.4	170	5
5 Haryana	142.7	127	8
6 Karnataka	268.2	82	16
7 Himachal Pradesh	11.8	32	12
8 Kerala	274.1	113	9
9 Madhya Pradesh	1,492.7	312	2
10 Maharashtra	630.3	111	10
11 Orissa	646.5	262	3
12 Punjab	997.8	131	7
13 Rajasthan	227.1	77	14
14 Tamilnadu	466.9	102	11
15 Uttar Pradesh	376.2	39	15
16 West Bengal	768.3	152	6
Total	9,238.7	151	

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The Politico-Economic Scene in Tamilnadu

Mr C. Subramaniam Looks Back and Looks Forward

An interview with Our Special Representative

Mr. C. Subramaniam, an elder statesman and former Finance Minister of the Union Government, was a dominant member of the Tamilnadu Government for nearly 10 years. He was an architect of the State's phenomenal economic progress. In an interview with our Special Representative, Mr K. S. Ramanujam, Mr Subramaniam looks back, makes a penetrating analysis of the causes of Tamilnadu's current economic malaise and throws a number of suggestions to put the State back on the rails of continued development.

His comments on Centre-State relations and the proposals of the Tamilnadu Chief Minister to transfer the State capital will be read with interest.

K. S. Ramanujam : *Sir, would you begin with a review of the current economic situation in Tamilnadu and how it is largely a consequence of the political situation ?*

C. Subramaniam : Since 1967 regional parties have been in power in Tamilnadu. In fact it has been only one regional party, for one is the off-shoot of the other. Today the complaint is widespread that the administration is static, that no decisions are taken and no orders are passed, with the result that there is total stagnation. Tamilnadu in the past occupied a foremost place among the Indian States. Today it is nowhere in the picture. Let us analyse how this has happened, In the early years of development, there was availability of power and priority was given to power generation so much so people came forward to establish industries in Tamilnadu. That was why Mr R. Venkatraman, when he was a Minister in Tamilnadu could say that they were able to open at least one industry in the State every day. It is a different story now. Of course there are all kinds of statistics. Unless the power position improves the industrial climate in this State will not change for the better.

Second, this is the most important thing, we must get the best out of our investment in the power sector. There is a lot of politics in the management of the Electricity Board and the Government have been going on changing the Chairman, with the result none of them settled down to work. This is a matter which requires attention. It is therefore high time that a specialised body is set up to look into the power situation and find out competent managers to look after the Energy Sector.

Third, the labour situation must improve, if industrial production is to pick up. We used to have fairly peaceful condition in Tamilnadu. What is important is to arrive at a firm labour policy. Ministers should not get involved in every labour dispute. This is a wrong approach altogether. There should be labour machinery to take care of the situation and the Government should be the last to step in, when the situation becomes very difficult. Labour unions are attached to political parties and political confrontation between the parties is in turn passed on to the labour unions also.

K.S.R. : *What steps would you suggest to make the administration responsive to the needs of the industry ?*

C.S. Yes, it is imperative that Government responds immediately to the needs of industries. Today it is very difficult to get power connection or raw materials and other things which are necessary for the functioning of industries. Let us take Hosur. I initiated it while representing that constituency in the Lok Sabha. My hope was that it would develop into another Bangalore in industrial development. For quick development, power is indispensable, so also trained labour. Trained labour is not available locally. It has to come from outside, and then the housing problem became acute. So we find now that after a certain amount of development, even those who have got licences for establishing industries, are shifting to other places.

Those who want to establish industries are driven from pillar to post and they get weary in the process. I would suggest that Hosur, Ranipet and other similar areas should be placed in charge of senior civil servants, who will function as a Government representative in all matters relating to industries, take quick decisions and help the entrepreneurs. Unfortunately, today no one is coming forward to take decisions. There is no settled policy and decisions are arbitrary, based on considerations not relevant to the subject. This leads to corruption and no entrepreneur is sure that his legitimate requirement would be met. In all these things perhaps a consumer council which would discuss all the aspects of the question and make recommendations might be helpful.

K.S.R. *Sir, you are an elder statesman: besides you have given the best years of your life to Tamilnadu. You are an informed observer of the political and economic scene in the State. The Chief Minister, Mr M.G. Ramachandran, is today in absolute power in the State and he would be able to benefit from any suggestions or guidelines you might make for the administration of the State.*

C. S. My first suggestion would be decentralisation of power or authority. Every Minister should be free to make his own decisions and function without any inhibition. It is because of the lack of such decentralisation or confidence in the Ministers, that decisions are delayed. The same principle applies to high-level official also. There must be a very clear understanding of what should be done at the Cabinet level, at the individual Minister's level and at the Secretary's level. Freedom to take decisions must be accompanied by responsibility. If there is no such freedom, there will be no responsibility either. Absence of such decentralisation results in personal rule.

K.S.R. *Sir, how would you like the idea of a "think-tank" which would make positive suggestions for solving our economic problems ?*

C.S. First of all, we should have the attitude to consult the think-tank. In the absence of such an attitude, the think-tank has no meaning.

K.S.R. *Sir, would you kindly explain how far the political polarisation in Tamilnadu affects its economic progress ?*

C.S. : I wish the D.M.K. and the A.I.D.M.K. should function as two political parties. The polarisation looks like a family feud between two individuals. The one who is not in power is scheming all the time how to put down the one in office. This seems to be an overwhelming preoccupation. It is a completely individual-oriented feud which is going on and on. The people of Tamilnadu have had experience of this situation from 1967. If a national party comes forward now which would create confidence in the people, I am sure, a different political picture would emerge.

In a democracy elections provide the opportunity to change the administration but the change can come only when there are viable alternatives. Today the Congress party is also playing some dirty game aligning itself either with the D.M.K. or with the A.I.D.M.K. with the result it does not function as a viable alternative. The Congress should decide to function on its own and stand by itself, whatever the consequences. But now there is not even that hope. This is the real tragedy of the situation in Tamilnadu.

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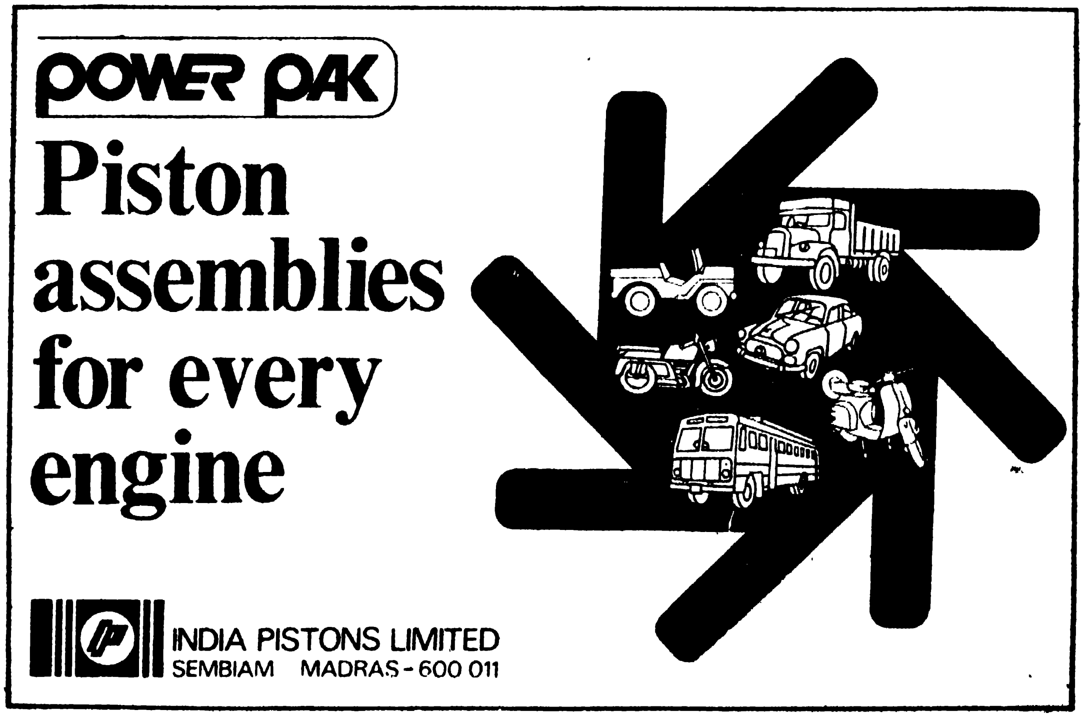
K.S.R. : *Sir, Let me now turn to a subject which is very dear to you and which is an outstanding achievement on your part, namely agriculture and food management. Could you talk about the agricultural situation ?*

C.S. : The first thing that



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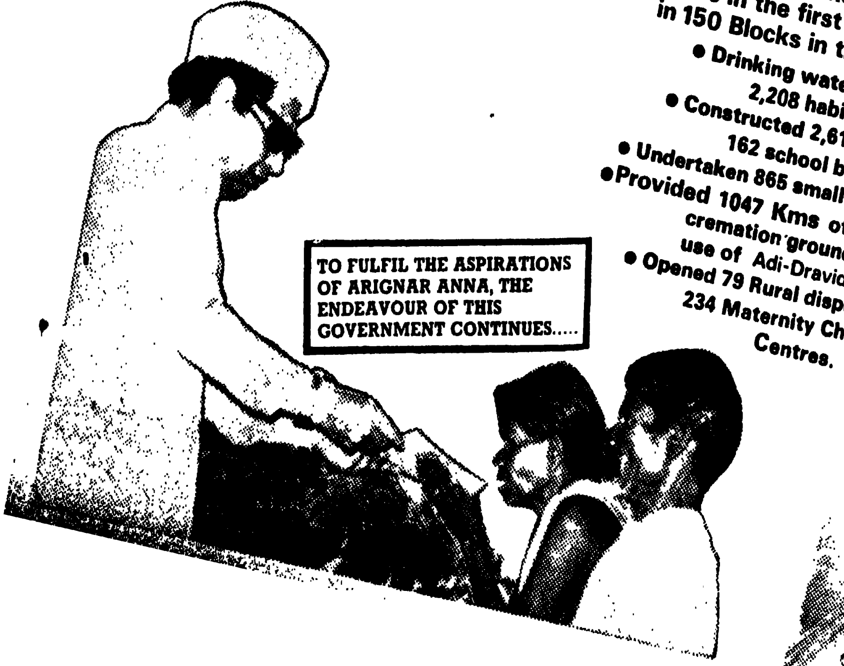
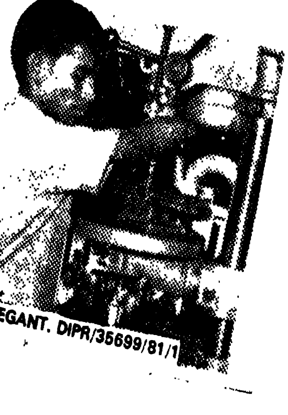


TO FULFIL THE ASPIRATIONS OF ARIGNAR ANNA, THE ENDEAVOUR OF THIS GOVERNMENT CONTINUES.....



ELEGANT. DIPR/35699/81/1

has to be done is to settle the Cauvery dispute with Karnataka. The present position is much more harmful to us than to the other party. Even a bad decision is better than no decision. We are shouting that we have the 1924 agreement. They say it is all over and a fresh agreement is necessary. Perhaps what is happening is, only when their reservoirs are filled up and there is a threat of floods, water is let out for our irrigation. It is imperative that the settlement of this question is arrived at immediately.

The second thing which I would emphasise is research. It is no use depending on one or two big research stations. We must have as many as possible, to study local conditions. Every harmonious region should have one research station to deal with soil, water, climatic conditions, etc. Only on the basis of scientific advice, we can improve our agricultural production. Again the inputs we suggest to our farmers should really contribute to increased production. I am told that seeds, even fertilizers, pesticides, weedisides, etc., are adulterated and ineffective. This would affect production and we should guard against this corruption. One more matter which I would like to refer in this context is what is known as post-harvest technology. This will deal with storage, transport, processing and even cooking of grain. This is as important as production technology.

Change of Capital

Q. : *Now Sir, this is the last question. It is about the proposal of the Chief Minister of Tamilnadu to shift the Capital from Madras to some place between Trichy and Thanjavoor, so that it may be centrally located and the congestion in Madras relieved. May I have your views on this?*

C.S : *Very few States have the capital in the centre of their State. Kerala, Karnataka, and Andhra Pradesh do not have their capitals right in the centre of the State concerned. To avoid concentration, it is not necessary to shift the capital. For one thing, it will be very expensive. With the same amount of resources, you can start very many productive enterprises. There are many other ways of avoiding congestion and a committee could examine this question. After all, we have a developed communications system and it would help us to reach any part of the State. Shifting of a capital would take at least 25 years and there should be unanimity of views on this question. If the Chief Minister, Mr M. G. Ramachandran, moves the capital out of Madras and if he goes out of the picture, then Mr Karunanidhi may take a reverse decision at least for spiting him and then this will be another Veeranam Project.*

It is equally important that there should be an efficient public distribution system. In this context I would like to make some observations regarding the use of water for agricultural purposes. I feel we are over-using the available water in the delta areas. I mean we are using more water than the actual requirement. As a matter of fact we are using three times the quantity of water that is used in advanced countries. Our irrigation system should be modernised. The present flow system from one field to another has many disadvantages. We are not able to control the flow of water. Those who apply fertilizers do not get the benefit of it. They are washed away to other fields. Again instead of growing three crops in a particular area, it will be more profitable to grow two crops and utilise the rest of the water for a single crop in a different area. This will yield higher production. Scientific water management is most important.

K.S.R. : *Now Sir, May I request you to discuss the Energy situation in the State ?*

C.S. : It is becoming clear that we have got to depend more and more on Neyveli lignite. There has to be a survey of the lignite deposits and the maximum power production would have to take place around Neyveli. Fortunately Neyveli is the Centre's responsibility. Our State has not got adequate resources to exploit it, I took this decision when. I was the Finance Minister of Tamilnadu. At that time everybody felt that our State should have these things instead of handing it over to the Centre. In retrospect, I think we made a wise decision. I even quarelled with the Planning Commission on this issue and walked out in protest. Pandit Nehru intervened and said that

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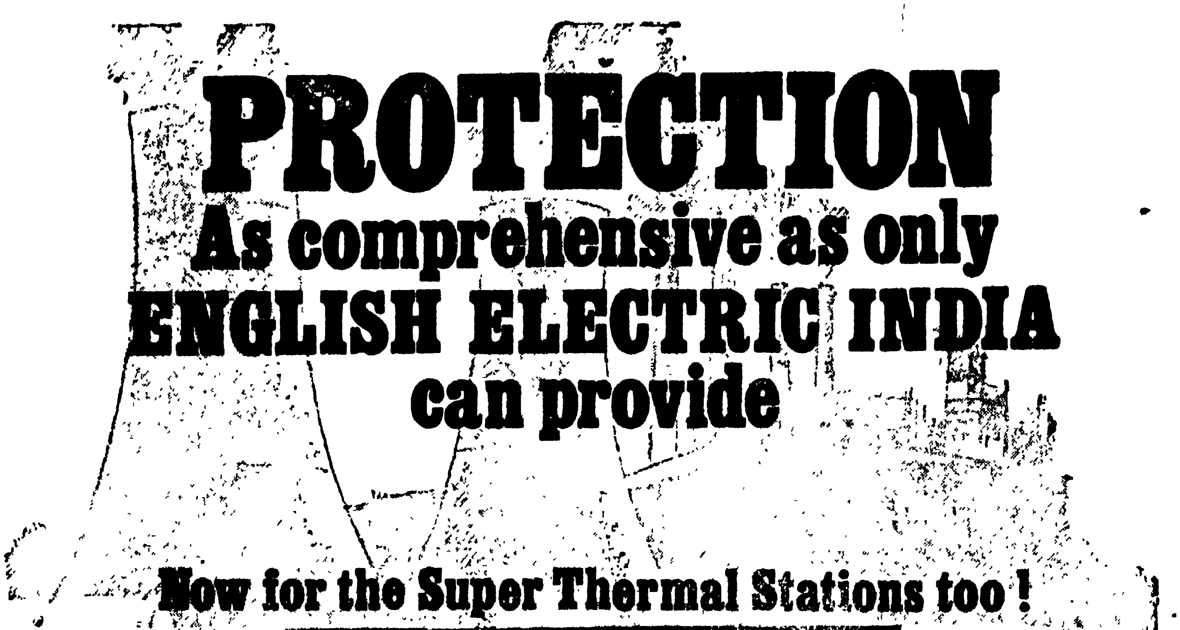

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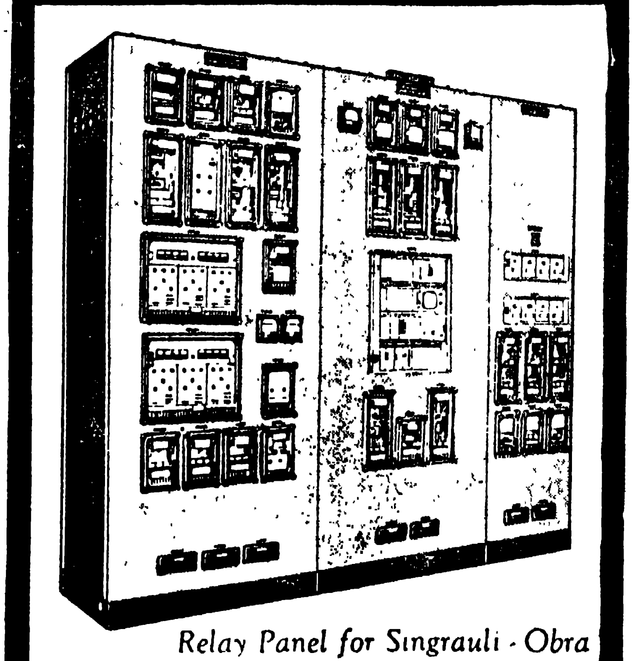

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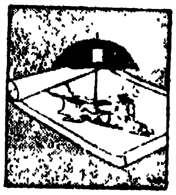

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Neyveli should be with the Centre. Now we all know Neyveli is the main area which has potential to supply our growing needs. Again, we should have thermal stations based on coal in coastal areas, transported by sea.

K.S.R. : *Sir, could you say what you feel about the relations between the Centre and the States ?*

C.S. : Today there are two sets of States, those ruled by the Congress and others. As far as the Congress-ruled States are concerned, there is no question of autonomy at all. Everything depends on the Central direction. This is a very sad state of affairs. What is the use of asking for more powers for the States when even for utilising the powers, you look to somebody else for what should be done ? On this basis the State Governments cannot function efficiently or effectively.

As for non-Congress Governments, we have to recognise that no single party need be in power at the Centre and also in the States. There need be no perpetual confrontation. We have to come to decisions as to how the States should function within the existing powers. There are certain areas in which more powers could be given to the States, but that is not a matter of priority now. There is a good deal of uncertainty now in the non-Congress State Govenments about their future. Both the Congress and the Janata Governments at the Centre set wrong precedents by dismissing State Governments. We have to arrive at a political settlement with regard to financial and other powers to the States.

K.S.R. : *Now Sir, this last question is about the proposal of the Chief Minister of Tamilnadu to shift the Capital from Madras to some place between Trichy and Tanjavoor, so that it may be centrally located and the congestion in Madras relieved. May I have your views on this ?*

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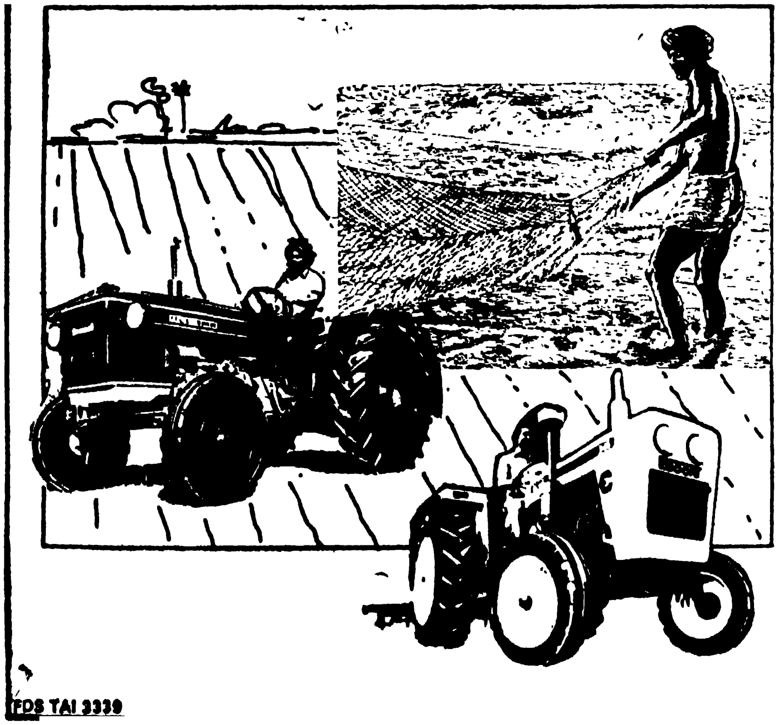

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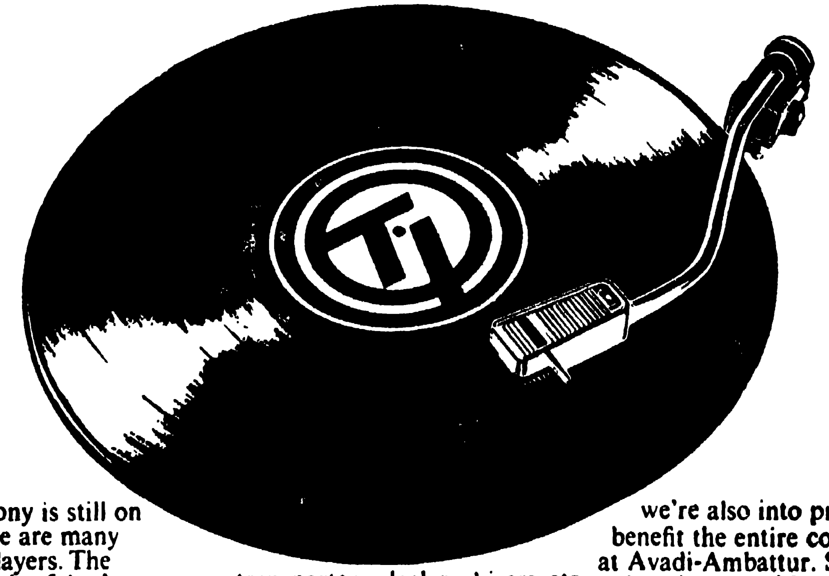

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Industrial Development of Tamilnadu

P. R. Ramasubrahmaneya Rajha

THE PEOPLE of Tamilnadu are well known for their native intelligence and a high sense of adaptability. It was not without basis that Jawaharlal Nehru described Madras as the intellectual capital of India. The people of Tamilnadu were known to have manufactured many goods even in ancient times and thus the spirit of adventure and entrepreneurship is ingrained in them. This speaks greatly for the vast industrial development of Tamilnadu during the last hundred years and particularly the post-Independence period. Though agriculture continues to be the mainstay of 65 per cent of the people, 15 per cent is engaged in industry against an all-India average of 11 per cent.

The 'Fifties and 'Sixties were really the best period during which Tamilnadu witnessed a great leap forward in industrial growth. This period witnessed the establishment of cement, paper, aluminium, viscose, rubber, fertilisers, petro-chemicals and electrical engineering industries on a large scale giving the State a sound base for accelerated growth during the 'Seventies. During the period from 1960 to 1975 industrial production in Tamilnadu doubled. The rate of growth of power generation was equally impressive and provided the much needed confidence among entrepreneurs to launch their schemes. From an entirely textile oriented beginning, the industrial base has now been enlarged and transformed into a sophisticated versatile complex. But the high hope of speedy growth during ths '70s did not come through and the situation continues to remain stagnant though here and there a few attempts are made. The last two years appear to be slightly different from the earlier eight years in the sense that the State Government has taken upon itself a major programme of industrialisation. The establishment of many sugar factories, a cement factory, Tuticorin Alkaline Chemicals, electronics industrial estate, Hosur industrial complex are all indicative of this development. Though there has been no major new Central schemes in Tamilnadu, the expansion of Tuticorin Port and Integral Coach Factory, second mine cut at Neyveli, expansion of Bharat Heavy Electricals Ltd, establishment of Salem Steel Plant and Heavy Water Plant etc. have given the much desired spurt for industrial development of this State. The establishment of a District Industries Centre in every district has accelerated the growth of small-scale industries during the last two years. The above is the present state of industrial development of Tamilnadu.

P.R. Ramasubrahmaneya Rajha

It cannot be denied that the rate of progress during the '70s has been poor and Tamilnadu has lost its longstanding third position in the country. With a population of about five crores, the State cannot afford to be complacent and urgent steps are necessary to speed up the industrial development of the State. Tamilnadu has been among the pioneers in small-scale industries—Ambattur and Guindy Industrial Estates being standing examples of it. In 1972 it stood first in India in the number of units and second in value of products manufactured. The perspecrtive plan of Tamilnadu for 1974-84 envisaged doubling the number of small-scale units to reach 75,000 by 1984. Besides setting up large scale industries the solution to unemployment and faster growth lies very much in the establishment of medium and small scale industries for which capital requirement will be less but employment opportunities greater. Though there is ample scope for the expansion and establishment of traditional industries like textile, sugar and cement, the new thrust should be in engineering, leather, electrical, rubber, dyes and chemical, pharmaceuticals, mineral and automobile fields. The vast sea coast offers great

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scope for a wide variety of chemical and other industries.

A major deficiency in the faster development of Southern Districts is the absence of broad-gauge line in the southern parts and it is a good news that the Central Government has sanctioned a Rs 42 crores scheme to connect Karur with Tuticorin via Madurai by a broad-gauge line. Equally important is power which continues to remain in short supply in spite of great strides in power generation. The Kalpakkam Nuclear Power Project is yet to supply power to the State grid and the two super thermal stations proposed in Tuticorin and Mettur should be completed as early as possible.

Tamilnadu possesses a variety of agencies to help new entrepreneurs. The SIPCOT, TIIC, TIDCO, SIDCO are all there to offer guidance and assistance. while IDBI, ICICI, IFCI etc. are there to render further assistance. Consultancy services are now available and it should not be difficult for promising entrepreneurs to establish non-traditional industries. Tamilnadu is rich in entrepreneurial talent and the credit for its industrial development must go to the industrialists of the State. Tamilnadu possesses abundant skilled manpower and an efficient bureaucracy. The latent talents should be fully exploited.

The spirit of the 'Fifties must be recaptured and in this the State Government has a major part to play. In those days industrialists were invited by the Industries Minister to discuss various possibilities and were persuaded to set up industries with full assurance of Governmental support, moral and financial. The industrialists felt at home and the State Government encouraged them at every step and solved all their problems to set up new industries. That kind of rapport between Government and entrepreneurs should be re-established and confidence created in the minds of entrepreneurs. Entrepreneurs with capability and resources are available in the State in large numbers and Government should encourage them to set up more and more industries.

Labour also has a part to play in the faster growth of industry in the State. Tamilnadu labour was considered responsible and reasonable and trade union movement functioned with a sense of responsibility but the events of last few years in various parts of the State have affected this confidence to a great extent and the process of industrial development has definitely suffered.

Government and labour apart, industrial growth very much depends upon the entrepreneurship of the people at large. In our own country Punjab and Haryana are examples of this where we find even an average citizen adventurous instead of all the time finding fault with something or other. Only an adventurous people can progress and never before in this country had we so many facilities to venture into industry. Finance or marketing is no big problem and the ever growing population offers the best scope for any amount of production to be consumed. Success comes to those who dare and act and it is upto the enterprising people of Tamilnadu to make the best use of the present favourable climate and contribute their best for the faster industrial growth of the State.

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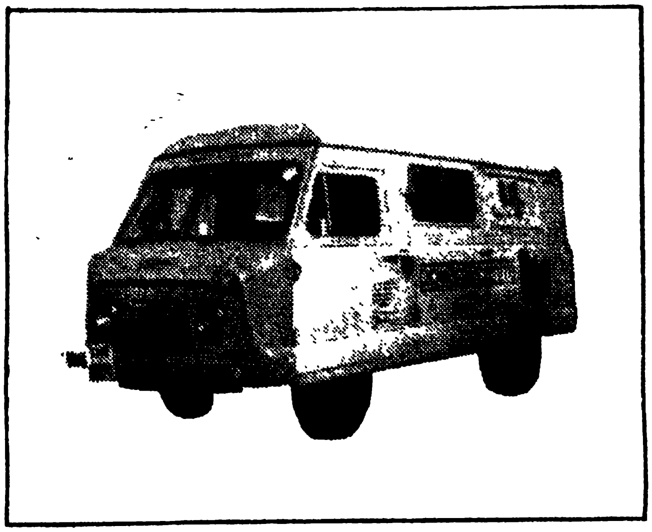

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Anatomy of Industrial Stagnation

S. Narayanaswamy

Mr. S. Narayanaswamy, doyen of South Indian industrialists, surveys the industrial scene in Tamilnadu in an interview with our Special Representative, Mr K. S. Ramanujam.

K.S. Ramanujam: *Mr. Narayanaswamy, please make an objective and frank assessment of the industrial climate in our home State of Tamilnadu.*

S. Narayanaswamy: It is very difficult to describe a quasi-vacuum: this State, which used to be in the fore-front in industrialisation in the decades gone by, has slipped woefully in the matter of entrepreneur-enterprises. All the industrial activity which would come under the definition of development today consists of expansion in installed capacity and diversification here and there by existing industries. It is comforting to believe, to understand, that all the existing industries have done well in the last calendar year or in the last financial year—in production, profits and dividends.

But, when we have said that, we have said all that is there to say. The major development in the last one year has been the proposal to establish a newsprint plant of about Rs 170 crores in respect of which the World Bank has already sanctioned a loan of about Rs 100 crores. This, I believe, will come through and we shall have newsprint produced in our State in 1983-84. Barring this, I do not believe very much has happened. Indeed something else has happened which can disconcert every well-wisher of Tamilnadu. On the labour front, lot of aggressive action by trade union leaders has been there. The State Government does not appear to be keen on maintaining discipline, though we have in the Labour Minister a very well-informed and positive-minded person.

I think, I have a suspicion, that quite a few Tamilnadu entrepreneurs have already made some plans and in some cases, several blueprints, for the purpose of establishing industries in the neighbouring States because the conditions there appear to be better and the Governments as such in those States have shown a great deal of enthusiasm and interest in inviting these entrepreneurs to their States. This is not a bad thing by itself in terms of the all-India background we should take. But this also doesn't seem to mean much to Tamilnadu except migration of entrepreneurship from here to the neighbouring States.

K.S.R.: *Please tell us what are the positive steps according to you, to halt this present mood of entrepreneurs not being very confident of establishing new industries and reversing the trend and making them go ahead and establish new industries in the State.*

S.N.: I think the first step in that direction is for the economic sector of the Ministry, such as the Minister for Industry, Minister for Labour and indeed the Chief Minister not only to welcome but take steps to invite those in the industrial world to meet them and have talks with them as to what could be done. As of now, the exact reverse seems to be the case in that they have made themselves inaccessible for discussion on vital matters. It is clear that the Ministers in Madras are occupying their time in completely inconsequential matters. In fact all the debates between the party in power and the party in opposition have no bread and butter content in them and are not dictated, in any case not calculated, to increase or augment 'wealth creating' activity within the State's periphery. For instance, the preoccupation with the ill treatment of Indians in Sri Lanka, about which the Sri Lanka Government has expressed grave concern themselves. It is a subject of unnecessary debate between the party in power and the opposition here, while practically all are agreed that something must be done to prevent this ill treatment of Indians in Sri Lanka.

I have a suspicion that quite a few Tamilnadu entrepreneurs have already made some plans and in some cases, several blueprints, for the purpose of establishing industries in the neighbouring States because the conditions there appear to be better and the Governments as such in those States have shown a great deal of enthusiasm and interest in inviting these entrepreneurs to their States.

K.S.R.: *Are the other States in the South more forthcoming in regard to industrialisation?*

S.N: That is exactly what I want to say. In the neighbouring States the concerned Ministers there are paying particular attention to the problem of speedy industrialisation. . .they are anxious to provide power, provide land, provide water and other facilities for the purpose of encouraging entrepreneurs from the neighbouring States to come over. Even Kerala is anxious to do this though the labour situation in Kerala is not sufficiently reassuring for entrepreneurs to be enthusiastic about setting up industries in Kerala.

By contrast, amongst the four Southern States, Tamilnadu is the only State which appears still unconducive to entrepreneurship. The only way in which this can be done is for the Government to take the initiative in being a little more practical, a little more forthcoming in inviting new entrepreneurs to establish new industries. They are presently leaving it to institutions like TIDCO and SIPCOT which are manned by very splendid civil servants of the highest calibre, but they by themselves cannot do very much in this matter.

The one silver-lining in Madras is that we have a Minister for Electricity who is taking all possible steps to improve electric supplies and is also taking a lot of interest in seeing that the projects now under construction are speeded up so that we may have more electricity. I am hoping that with Tuticorin energising more of its units and Kalpakkam coming on stream, sometime atleast in 1983-84, we shall have solved the problem of energy shortage.

K.S.R.: *Mr. Narayanaswamy, what have you to say to this talk that our industrial process has been slow because of the Centre not giving the same treatment to Tamilnadu as it used to during the Congress regime here between 1947 and 1967.*

S.N.: There is absolutely no substance in this complaint at all, because, personally I am aware of the interest both the DGTD and the Ministries at the Centre, namely Finance, Commerce and Industry, have been taking in our development. There has not been a single instance of denial of licence or other facilities. Nor have the institutions which engage themselves in term-lending failed to offer financial help where industries sought them. Obviously the initiative for starting new industries cannot come from the Centre. It can only come from enthusing people locally and this is exclusively an effort which must be made by the State Government in stimulating entrepreneurs, encouraging them, telling them that these and these are the facilities they are offering. It is as absurd as the complaint made that Maharashtra, Punjab and Haryana got more loans from the financial institutions. We do not have the enterprise. It is not as if loans are handed over anonymously to anyone. They are given to those who seek them. Unless you have entrepreneurs who are going forward with establishing industries, there will be no question of a person applying for a loan. If there are not adequate number of people to apply for loans, what is the use of blaming the institutions? This has gone on too long and I don't think the intelligent citizen takes such complaints seriously.

There is absolutely no substance in this complaint (of discriminatory treatment to Tamilnadu) at all, because, personally I am aware of the interest both the DGTD and the Ministries at the Centre, namely Finance, Commerce and Industry, have been taking in our development. There has not been a single instance of denial of a licence or other facilities. Nor have the institutions which engage themselves in term-lending failed to offer financial help where industries sought them. Obviously, the initiative for starting new industries cannot come from the Centre. It can only come from enthusing people locally and this is exclusively an effort which must be made by the State Government in stimulating entrepreneurs, encouraging them, telling them that these and these are the facilities they are offering.

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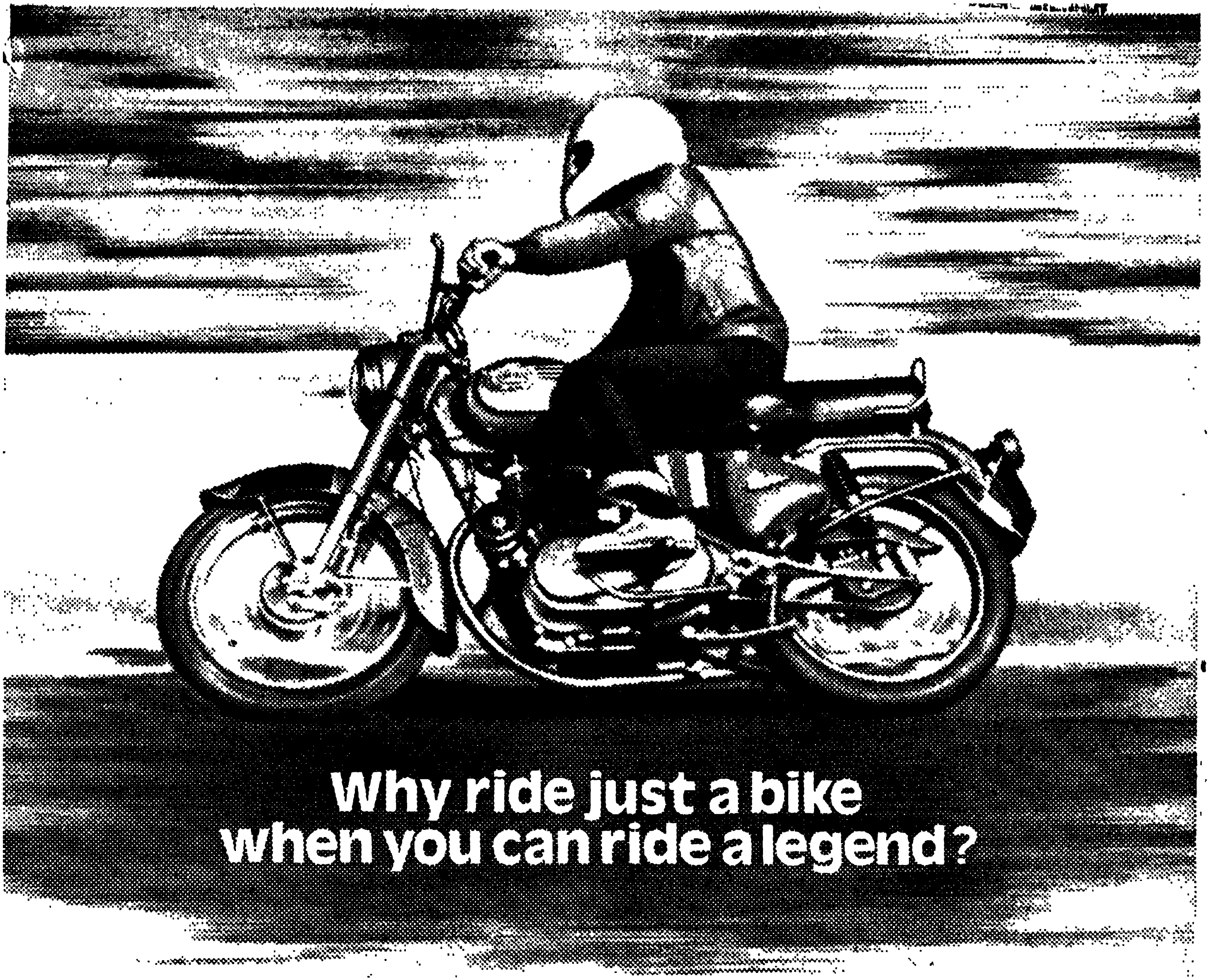

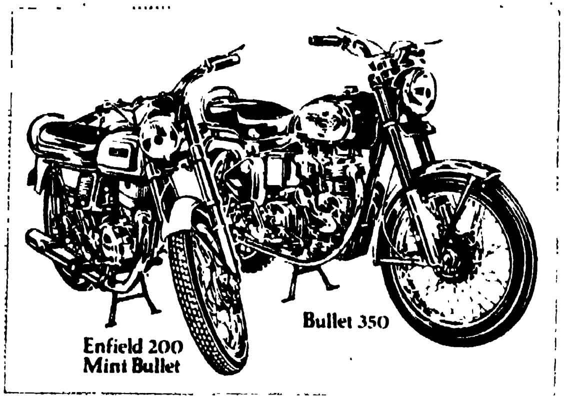

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Industrial Outlook for Tamilnadu

Dr B. Natarajan

INDUSTRIAL DEVELOPMENT in our context means more than what the term conventionally means. The objective is not simply to start more units and produce more. The objective is, in fact, manifold. Higher production has to be compatible with balanced regional growth. The employment angle too has to be kept in view. More important, the main thrust is in the hands of the Centre which wields the ultimate decision and means to determine the industrial progress of the States in line with national objectives. Therefore, the ups and downs in the States' ranking in industrial output should not be accepted on the face of it. The progress has to be measured on a broader plane.

Industrial progress of Tamilnadu, according to one view currently doing the rounds, is stagnating. Indeed, according to this view, the State is actually slipping. The charges, I believe, are too sweeping, if not biased. A sober look should reveal a more realistic picture and show the State in a better light. The industrial scene of the State has, by and large, waxed and waned with the industrial fortunes of the country. In fact, considering the many intrinsic constraints the State has to reckon with, to have kept up with the national trends itself should be taken as an achievement.

Beginning with the'fifties and through the 'sixties, the State formed the industrial troika, along with Maharashtra and West Bengal, setting the pace for the rapid industrialisation of the country. In the sixties the State registered an average annual growth rate of 6.2 per cent and was contributing about 10 per cent of the gross industrial output of the country from its mushrooming factories which accounted for 11 per cent of the total number of such units in India.

The head-start the State enjoyed during the colonial days, the liberal Central investments by way of large industries and infrastructure, in the form of power and irrigation projects, the steady, favourable support from the farm sector and, not the least of all, the existence of a relatively better educated and skilled work-force led by a sizable entrepreneurial class, all helped the State to overcome its natural constraints (especially its lack of key minerals) and march swiftly ahead in industrialisation.

Diversified Base

Thanks to these factors, the State's industrial base emerged from a conventional textiles dominated one to a diversified one on modern lines, comprising a chain of engineering, chemical and electronics complexes. The State exhibited a gratifying industrial base in the major complexes of Manali, Madras, Mettur and Tuticorin, a widespread network of small units and emerging industrial estates. The success of Ranipet and Hosur estates alone can give the State a pioneering place along with others, such as Punjab, Haryana or Gujarat. But here, the State has stopped, not aware that industrialisation is a ceaseless endeavour.

The uptrend continued well into the 'seventies. However since the middle of last decade the State seems to have gradually been overtaken by a syndrome similar to the one that has been afflicting the industrial progress of the country as a whole. The annual index of industrial production of the State peaked during 1974 and since then has fluctuated sharply. In 1979 it stood at a rather discomforting level of 171 compared to 180 in 1974. So much so, the structural pattern of the State changed only marginally in the 'seventies. The share of industrial sector in the State's Domestic Net Product went up from 25.6 per cent in 1970-71 to only 25.8 per cent in 1977-78.

Slower Pace

The slower pace of industrialisation was due to varied reasons, some originating with in the State and some outside. The Central investment gradually dwindled, understandably, having been diverted to other parts of the country which needed it more. Infrastructural constraints reared their heads. The power position particularly began to show its limitations. In general, the expected response from the private sector to the initial public investments in infrastructural and basic industries failed to come true. Also, the industrial relations began to deteriorate gradually.

The vacuum created by the declining Central investment was appreciably made good by the resilience of the small units sector and a more active role by the State government. The small units continued their buoyancy in respect of numbers, output and employment. In employment, especially they ranked first among the States of India, accounting for about 15 per cent of the all-India total. The growth of industrial cooperatives too was impressive during this period. The State Government for its part, set up a number of financial and other agencies like the SIPCOT, TIDCO, TIIC and SIDCO to promote new activities. As a result, though the general progress could not keep pace with that of the 'sixties, the State maintained its lead in selected areas. Its share in leather and leather products remained at about 70 per cent. In the manufacture of auto-ancillaries, machinery and machine tools its contribution was appreciable, next only to Maharashtra. In 1975-76 the State cornered 142 industrial licences—second-most among the State. In 1978-79 it could get only 31 licences. Yet its tally was third among the States.

Gradual Improvement

In the last two years, there has been a gradual improvement in the industrial climate. The key factor of power has been behaving less erratically and the industrial relations seem to have become more congenial. The last two budgets also carried some incentives by way of concessions in sales tax etc. The State received 37 industrial licences in 1980 and between January and June of

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1981, fourteen more have been issued.

Future prospects, as it is for other States too, would depend as much on the Centre's investment role in the State as the State's own endeavour. No doubt the power situation will be the decisive factor. With little scope for tapping any more hydel capacity, the State is now dependent on thermal power. The second cutting of the Neyveli Lignite will give relief, but the promise of nuclear power has been eluding in a time consuming process. Here, if the Centre has the responsibility for investments, the State's responsibility is no less in efficiently managing them. The scope for non-conventional power, especially, biogas, seems to be bright in the State. The Government should not let go these opportunities.

The small units, which have immense potential, have been voicing their woes in the matter of the clearance of licences, supply of raw materials, transport, sanctioning and processing of credit etc. These are not surely insurmountable problems. The State can offer solutions within its means.

Better industrial relations, a competitive tax structure and prompt service in alloting land, water, power etc. simplifying procedures and so on, which are well within the State's ability to provide, can do wonders to the industrial activity in the State. It could attract outside investors as well.

Nevertheless, the total effect of all these can but be limited, in view of the centralised system we have in the country. It has been my contention all along that for sustained industrialisation of the State, the way out would be a chain of large nucleus plants, say one for each district at least, which alone can maintain the growth impulses without break. The small units would have better chances of growth and proliferation, if they are hitched on to these nucleus units as ancillaries. Now if the policy is that such large units should be only in the public sector, then, the progress may be very tardy, notwithstanding the vast resources and powers of the Government. It is my belief that an imaginative fillip to the concept of joint sector would be the answer. Combining social objectives and capitalist motives will no doubt be difficult. But then we have no choice in the mixed economy world of ours.

In conclusion, all I can say is, though the State's industrial progress in recent years has not been as spectacular as we would have wanted it to be, the situation can on no count be termed as one of gloom and doom. I must point out here the woeful lack of data that stands in the way of a precise evaluation exercise. The climate can be made even better by effecting certain improvements which are well within the State's means. Some fresh dynamic thinking is called for—the view that the State's industrial future would depend more on the policy and progress of the country as such, should be no excuse for complacency or for swallowing malicious criticism. The facts must speak. Let the State Government go about collecting and presenting them in an informed and enlightened way.

Booming Industrial Complexes

Our Madras Bureau

Hosur

In many ways the choice of Hosur for dispersing industrial development in Tamilnadu has proved eminently successful. The experience gained in Ranipet in North Arcot District in developing backward regions, specially its *proximity* to Madras, encouraged the Tamilnadu Government to take up Hosur which is hardly 40 km from Bangalore.

Nearly 100 entrepreneurs have *flocked* to this area so far and the investment may be of the order of Rs 100 crores. It is expected that in the next two years the investment here may touch Rs. 400 crores, providing employment to more than 30,000 people. The industries which are springing up are of a wide range but mostly engineering. Ashok Leyland has put up a unit here to increase its production and vehicles are already rolling out of the factory. Four thousand 3-axled *turbo* charged Taurus vehicles to suit the Indian road conditions are to be manufactured here. In addition some specialised application vehicles now manufactured at Leyland's Ennore Plant will come out of this unit The well-known TVS group have set up a Rs. 3-crore moped production unit and already more than 1,000 mopeds are manufactured per month. The installed capacity of 3,500 vehicles per month is expected to be reached soon.

The Amalgamations Group has set up a crankshaft manufacturing facility besides an axle-beam plant catering for the needs of heavy forgings. The Easun Group has set up a plant to manufacture protective and auxilliary relays and accessories. The Rane Group is also there with its brake linings manufacture. Indicarb makes a wide range, tungsten and titanium carbide tools.

The English Electric Co. of India, Carborumdum Universal, Best & Crompton, Facit Asia, Brooke Bond and Asia Tobacco are among others who will be having their plants at Hosur. Yet another unit which may be mentioned is the Lakshmi Automatic Looms unit costing about Rs. 10 crores. As the land in the project area has been already fully occupied, the SIPCOT (State Industries Promotion Corporation of Tamilnadu Ltd,) is creating another industrial centre at Hosur. Many industrialists are waiting to move in.

Tuticorin

Though Tuticorin stepped into the industrial map of Tamilnadu only during the last decade, it is making quick progress. Earlier, apart from its being a sleepy port town, it could boast of two textile mills only. During the last six years it is taking shape as a big chemical complex. The largest chemical plant is the Rs. 120 crore Southern Petrochemical Industries Corporation Ltd (SPIC) in the joint sector. Around this unit has grown many industries such as the Rs. 40 crore Heavy Water Project of the Department of Atomic Energy. The Tamilnadu Government has set up the Alkali Chemicals and Fertilizers (TAC) in the State sector.

The SPIC complex produces a wide spectrum of nitrogenous, phosphate and potassic fertilisers. After many teething troubles, the plant is now well set for production, Part of this complex is the country's largest Ammonia plant. Some of SPIC's products are raw materials for the Heavy Water and Alkali Chemical Plants, both located near the fertilizer complex.

Perhaps the most important among the projects in Tuticorin is the Thermal Power Plant. With three units of 210 MW each it is the largest project undertaken by the Tamilnadu Electricity Board. It constitutes 20 per cent of the total installed capacity in Tamilnadu. This station will ultimately supply 3300 m.u. per annum, about 25 per cent of the total needs of the State. The plant is estimated to cost about Rs 260 crores.

At present the plant gets only about 40,000 to 50,000 tons of coal a day though there is a linkage for 90,000 tons. Unless the Board succeeds in establishing a smooth arrangement for the supply and transport of the full quantity of coal required for the station, the State will never be able to overcome the serious power problem. This means that the Tuticorin Port is destined to play a far more important part in the State's economic development. In 1979-80 the port registered a record growth of 42 per cent compared to the all-India average of 12 per cent. The construction of two more berths has been sanctioned by the Government of India. Tuticorin is developing fast into a versatile industrial complex of Tamilnadu.

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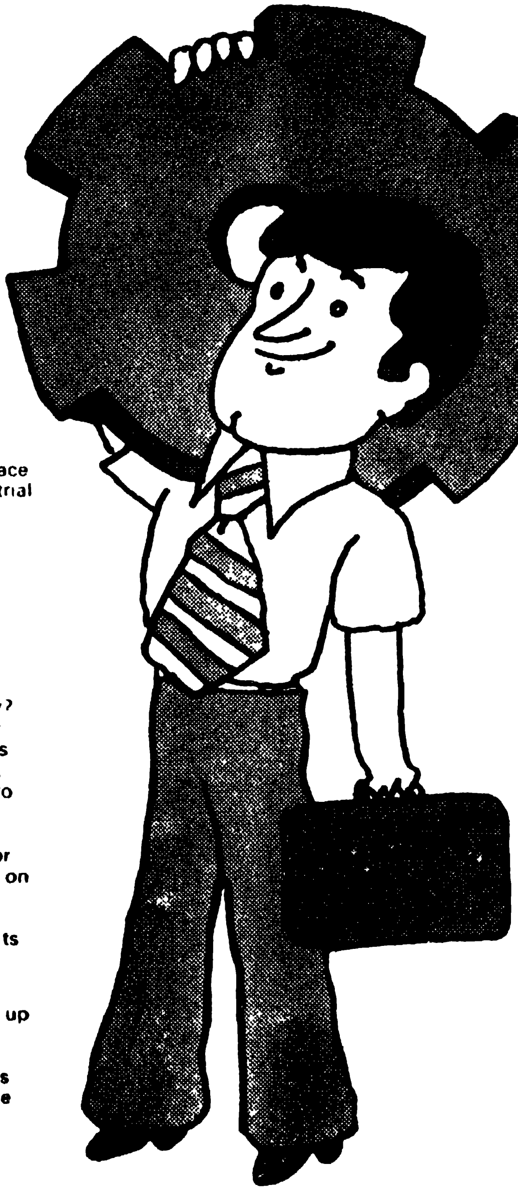

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- **SUBSIDIES:**
  In 33 notified Taluks, Central Subsidy up to 15% of total investment is provided by SIDCO and TIIC for SSI and by SIPCOT for Medium and Major industries In another 24 notified Taluks, 15% State Subsidy is extended to SSI units.
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- **EQUITY PARTICIPATION & UNDERWRITING:**
  TIDCO contributes up to 26% of Share Capital for Joint Sector Projects; 25% to come from the private promoter, and balance from general public SIPCOT & TIIC underwrite/participate in the equity up to 25% each
- **INFRASTRUCTURE DEVELOPMENT:**
  SIPCOT provides infrastructural facilities in its Industrial Complexes in Backward areas. Ranipet and Hosur are already thriving realities More on the anvil -- Pudukkottai, Manamadurai Cuddalore Tuticorin etc. SIDCO gives sheds and developed plots in its 45 centres
- **MARKETING ASSISTANCE:**
  Monitoring Government purchases of SSI products in respect of 257 items by SIDCO.
- **OVERALL ASSISTANCE:**
  Under the Directorate of Industries, the District Industries Centres (there are 14 of them in Tamil Nadu) take care of entrepreneurs and their problems at the District level

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Industrial Growth of Tamilnadu

C. Ramachandran

THE LAST two decades have witnessed a silent industrial revolution in this part of the country, resulting in the transformation of a predominantly agricultural economy into an industrially important one. Impressive progress has been recorded in the fields of large, medium and small industries in Tamilnadu. The State continues to maintain a high position among the industrialised States in the country. The contribution of the primary sector to the State's income has diminished from 51.10 per cent in 1950-51 to 38.18 per cent in 1978-79 while that of industrial sector has gone up from 12.70 per cent to 26.89 per cent during the same period. Since the commencement of planning, the State's economy has achieved an overall compound growth rate of 3.2 per cent per annum between 1950-51 and 1978-79. The performance of the economy from 1974-75 to 1978-79 was far significant as an impressive rate of growth of 8.5 per cent was recorded during this period. Comparatively the secondary sector has performed better as it has accounted for a higher growth rate of 5.9 per cent over the period.

An economic appraisal of the State for the year 1978-79 shows that the State's economy was in a better form then the country's, over and above sharpening its own performance during the previous year. Income generation in the State had grown by an impressive 10.7 per cent and though this was marginally short of the earlier growth of 11.4 per cent, it far outweighed growth in the Real National Income estimated at 4.1 per cent. Growth in industrial production for the year 1978 at 14.7 per cent was an all time high, greatly adding to the previous level of 4.4 per cent and going far above the all-India attainment of 6.9 per cent. Employment in the organised sector during 1978-79 registered a higher growth of 5.57 per cent as compared with the 2.56 per cent during 1977-78.

Newer Avenues

From a prodominantly textile oriented beginning industrial effort has blossomed into newer avenues and the State holds an important place in the production of cement, fertilizers, automobiles, chasses and tyres. Earth moving equipment, equipment for generation, transmission and distribution of electricity, railway rolling stock, teleprinters, textiles, textile and other machinery etc. are other fields in which it has done well.

The position in the small-scale industries sector is equally impressive. From an era of making buckets and shoes, the small-scale sector has gained a significant status by accounting for sophisticated and precision products. This sector has emerged not only as a major supplier of mass consumption items like plastic and rubber goods, sheet metal items, ready-made garments and other essential consumable goods but has also entered into sophisticated fields of production which include, among others, television receivers and components, process control instruments, special antenna system, manipulators for nuclear plants etc. Striking progress made in the small-scale electronic sector will be evident from the fact that the annual turnover has gone up from Rs 10 lakhs during 1970-71 to Rs 21 crores by 1980. The number of chemical and allied industries in the small-scale sector has almost doubled between 1977 and 1980.

Increase in Small Units

There has been a near 100 per cent increase in the number of small units given permanent registration from 18,789 at the end of March 1978 to nearly 36,000 at the end of March 1981. What is more significant is that there has been over a hundred per cent increase in the number of registered units in traditionally backward North Arcot, Pudukkottai, Dharmapuri and South Arcot districts and the underdeveloped eastern part of the Ramanathapuram district and there has also been more than 50 per cent increase in the backward Thanjavur, Tiruchirappalli and Kanyakumari districts.

The share of the nine industrially backward districts of South Arcot, North Arcot, Thanjavur, Tiruchirappalli, Dharmapuri, Pudukkottai, Madurai, Ramanathapuram and Kanyakumari in the total permanent registration has gone up from 39.2 per cent in 1978 to 42.06 per cent in September 1980. Even within the comparatively developed districts, benefits have reached under-developed areas. In Chengalpattu district for instance, as against 1,604 small-scale units given permanent registration between 1961 and 1978 in the last 32 months alone, 1,494 new industries have been registered, 373 of them in rural areas with a fixed investment of Rs 296.80 lakhs, giving employment to 4,773 persons.

A sample study of entrepreneurship in seven industrial estates in the State has shown that over 40 per cent of the small units has been set up by technocrat entrepreneurs.

Concessional Loans

The Tamilnadu Industrial Investment Corpoaration, the State financial corporation, offers concessional terms of assistance for units coming up in backward areas such as lower rate of interest, longer repayment holiday, a longer repayment period etc. and it is a matter for satisfaction to note that substantial assistance has also reached such units. Of the total sanction of Rs 17.19 crores made by the Corporation during 1979-80 to 1,500 units, a sum of Rs 9.26 crores has accrued to 971 units in backward areas. The position during 1980-81 has been equally impressive. Out of a total sum of Rs 23.78 crores sanctioned to 2,765 units between April-December, 1980, over Rs 13 crores has been sanctioned as loan to nearly 1,500 units in backward areas.

It is also worth recording here that Tamilnadu continues to maintain the first place in the whole country in the disbursement of the Government of India's capital investment

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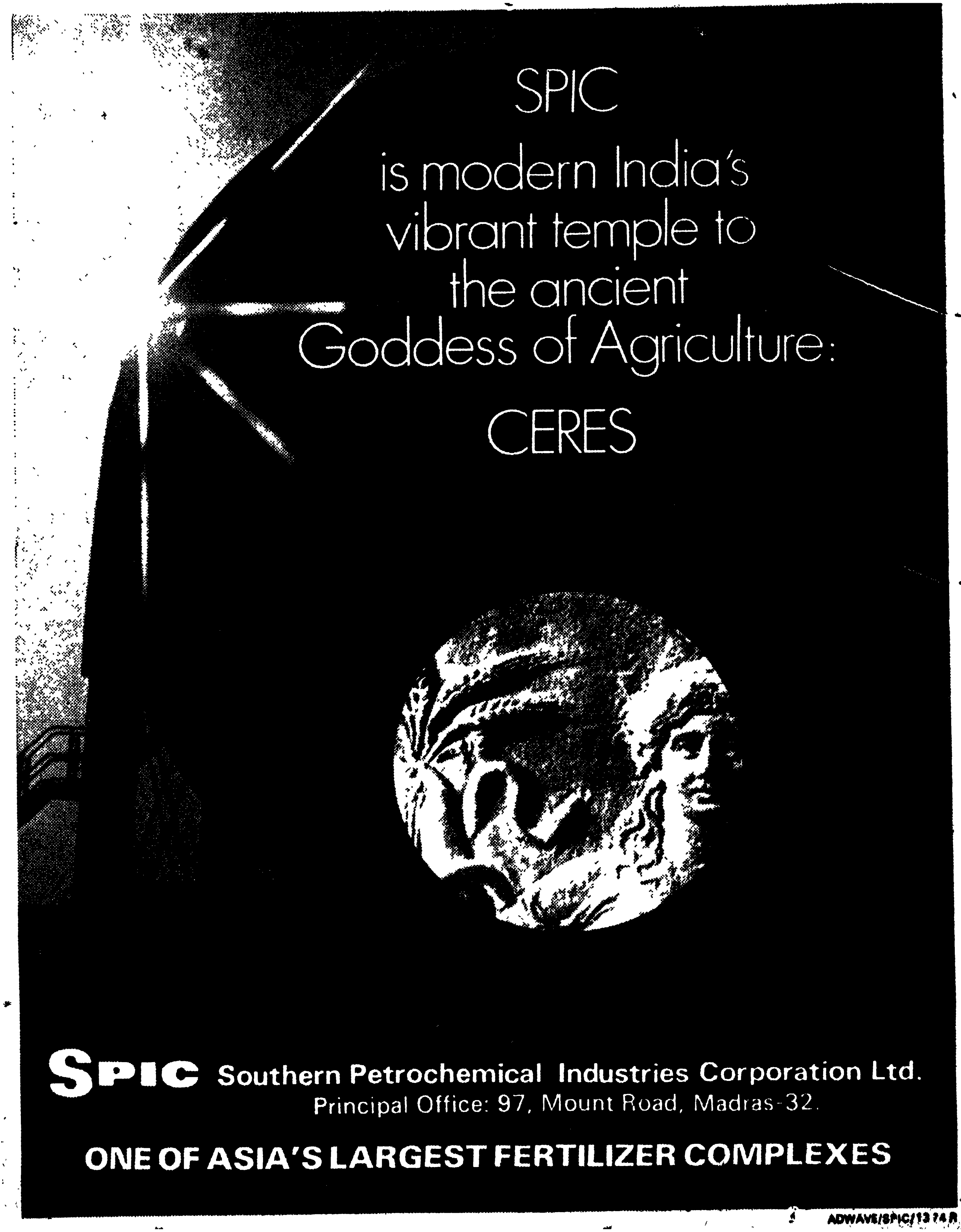
Mr C. Ramchandran, IAS, is Commissioner and Secretary, Industries, Government of Tamilnadu.



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subsidy to new units and substantial expansion of existing units emerging in backward areas.

Another fact of development also deserves mention. The total assistance sanctioned by the State Industries Promotion Corporation of Tamilnadu (set up by the State Government with the objective of developing medium and major industries in the private sector and to hasten industrial disposal) upto the end of December 1980 was of the order of Rs 61.37 crores and the most heartening feature of it has been the sanction of as much as Rs 53.28 crores to units in backward areas, which is expected to trigger an investment of Rs 270 crores in one or the other of the nine backward districts in the State.

The concept of industrial cooperatives has been used in this State as a distinct instrument for direct State intervention for promoting development in specified rural industries and to generate employment opportunities in rural areas. This sector has witnessed a spectacular growth.

Significent progress has been recorded in tea and matches industries. The 12 industrial cooperative tea factories in Nilgiris accounting for 6,190 of the 10,000 small tea growers in the district have a sales turnover of Rs 7 crores and provide direct employment to 39,700 persons. The progress in respect of matches is equally impressive. The number of industrial cooperatives match service societies has gone up from 14 in 1977-78 to 85 in 1980-81. There has also been a four-fold increase in the value of production in four years from Rs 5 crores in 1977-78 to Rs 20 crores now. When these societies reach their full level of operation, they will provide employment to 170,000 persons. This industry, which was once confined to Ramanathapuram and Tirunelveli districts has now spread to non-traditional areas like Dharmapuri, North Arcot, Coimbatore and Pudukkottai.

Sericulture is another rural industry which has come in for a lot of attention in recent years and the progress in this industry has been equally impressive. As a result of the special efforts made by the State Government including the formation of a separate Directorate for paying undivided attention, this industry which was once confined to plateau regions of Dharmapuri and Coimbatore districts has now spread to most of other districts. The area under mulberry cultivation which was only 1000 acres in 1956 rose to 20,000 acres in 1979 and it has since doubled and stands at 40,000 acres now giving employment to 200,000 people in rural areas of Tamilnadu.

The one important aspect of the development in the unorganised sector has been that the initiative rests largely with the private sector. It has, therefore, been the Government's endeavour to create a climate favourable for growth so that the units emerging in the private sector are enabled to play their legitimate role in accelerating develpment. One

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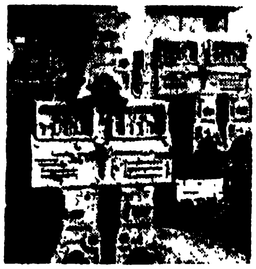

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area which calls for and has received a lot of attention recently is that of eliminating the procedural constraints which impinge harder on small than large units.

Even though several departments are involved in this process, the Directorate of Industries has been made a model agency for identifying and eliminating problems. Towards this end, systems and procedures have been evolved without recourse to amendments of acts and rules which is a time-consuming process. Further, simplification of the provisions of Factories Act to help growth of small units is under active consideration.

The District Industries Centre Programme, within the span of three years, has been adopted and used in the State as a vigorous extension agency and a catalyst for making available the benefits of liberalised procedures announced by the Government to a larger number of small units. The District Industries Centre Programme has also been used in this State as a focal point for implementing diverse schemes. The helpful role played by these centres has resulted in the accrual of a loan assistance of over Rs 770 lakhs for nearly 3000 small units during 1980-81 alone. The coordinating role played by the District Industries Centres has also led to the training of over 23,000 persons upto the end of March 1981 under the Integrated Rural Development Programme and the Training of Rural Youth for Self Employment with a stipend of over Rs 114.21 lakhs.

While the development that has taken place is impressive, the State looks upto the industries sector to achieve a higher standard of living for its people by absorbing the growing population in non-farm occupations on a continuous basis. Massive increase in employment through the promotion of small and village industries continues to be the basic objective of the industrial policy pursued by the Government of Tamilnadu in the last few years while at the same time providing assistance and support for the growth of large and medium industries in a harmonious manner.

Excellent Infrastructure

Tamilnadu is one of the States where a comprehensive assistance programme for the development of industries is in operation. Every conceivable need has been identified and provided for. Availability of infrastructure facilities like roads, railway, power, health, education and banking are the essential prerequisites for the economic development of any region and the State is well-served by these facilities and it can safely be said that basic amenities have been so provided that new units could emerge and grow almost in any part of the State. Specialised agencies have come into being to meet the needs of units at various stages. Mention may be made of the following.

The Tamilnadu Industrial Development Corporation (TIDCO), incorporated in the year 1965, besides running specified large public sector projects also participates in the implementation of joint sector projects. The mode of financing is by way of equity participation at the rate of 26 per cent by TIDCO, 25 per cent by private promoters and the balance of 49 per cent from the public. This organisation is presently implementing 49 projects in public and joint sectors.

The State Industries Promotion Corporation of Tamilnadu (SIPCOT) was set up in 1971 with the objective of promoting and developing major and medium industries in the private sector and to hasten the industrial dispersal to the under-developed areas of the State. It provides a package of incentives for the benefit of new entrepreneurs. Among the incentives offered are allotment of lands in developed growth centres, provision of finance to major and medium industries under the Industrial Development Bank of India (IDBI) Refinance Scheme, subsidy for feasibility studies, interest free sales tax loan, etc.

The Tamilnadu Industrial Investment Corporation (TIIC), the premier State financial institution (the first of its kind in the country having been set up in 1949) provides financial assistance to large, medium and small industries and concessional terms of assistance are available for backward areas, technocrats, scheduled castes and the most backward classes.

Tamilnadu Small Industries Development Corporation (SIDCO) provides a comprehensive range of assistance for small industries. Facilities offered include built-up worksheds, allotment of industrial plots, distribution of essential but scarce raw materials, interest-free sales tax loan for small industries and marketing assistance to small units.

An environment conducive for a faster rate of growth has been created in the State and the State Government is keen to provide all assistance and support for bringing about a faster and a more balanced growth in the State.

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Power Prospects : Better Days Ahead

Our Madras Bureau

ALL RESTRICTIONS on power supply to households and industrial consumers in Tamilnadu have been removed from September, 1. This has been received with great relief by the people of the State who had been subject to chronic power shortage for years. A number of circumstances and measures taken by the State and Central Governments might make this endemic power shortage in Tamilnadu less rigorous this year if not altogether a thing of the past. In fact it looks that brighter days are ahead, though, taking a longer view, the power problem is going to be with the people of this State for years to come.

Serious Loss

The delay in the implementation of the hydel and thermal projects in the Seventies, the inefficient working of the Ennore Thermal Power Station, the teething troubles of the Tuticorin Thermal Station and the disappointing contribution of Neyveli all contributed to a situation in which industrial growth was strangled and production seriously hampered. The loss was serious and mounting year by year. It is now hoped that a prolonged and serious situation may not recur because of a number of favourable factors. Thanks to modernisation of the mine, Neyveli's contribution is expected to be substantially higher. As a matter of fact after many years lignite raisings are in excess of the needs of the thermal station. The availability of power from Neyveli to the Tamilnadu grid is expected to improve by 500 million units a year. The other two thermal stations namely Tuticorin and Ennore are also expected to do better and increase their generation in a substantial measure. Due to overhauling of some of the Neyveli units the supply may be reduced for some time this year but this is not expected to create any problem as the other two major thermal units are in good form. As for hydel power, the reservoirs are full. Drawal from the hydel resources is almost nil now as the hydel generation accounting for 60 to 70 per cent of the daily demand (29 to 32 million units) is mostly done out of the "free flows" in the region. As the Mettur reservoir is also full and is discharging heavily, generation at the hydel station has been good—about 200 MW.

Kerala's Contribution

Kerala is providing 2.5 million units per day now, and it is in a better position to supply more power to Tamilnadu in summer. In fact, Kerala has been asking Tamilnadu to take more power even now, but since Tamilnadu is able to generate more hydel power using the "free flows", its requirement from outside is kept at a minimum.

Even with a substantial increase in output in 1981-82, it may not be possible to avoid a power cut altogether in view of the large inhibited demand which would rise to 12,600 MW and the shortage of 1000 MW could still remain, even if Kerala continues her present contribution.

Top Priority

The State Government has given the topmost priority for development of power. In the Sixth Plan, the outlay will go up to about Rs 1,023 crores in an overall outlay of Rs 3,150 crores. The installed capacity of Tamilnadu grid, which was 2,719 megawatts at the beginning of the present Plan period will be increased to 4,769 megawatts by the end of the Plan. The second unit of the Tuticorin thermal project was commissioned in January this year. With the commissioning of the third unit of the Tuticorin thermal project and the 235 MW unit of Kalpakkam Atomic Power Project, the generating capacity will be increased to 3,374 MW during 1981-82.

Works have been commissioned for setting up of the Mettur Thermal Project and Lower Mettur Hydro-electric Project from which Tamilnadu grid will draw benefit in the last two years of this Plan period. A project report for replacement of the existing units of the Basin Bridge Power House by a 110 MW unit, is now before the Government of India. A 630 MW capacity thermal station in North Madras is being proposed. The Centre has given the assurance that it would give clearance to whatever power projects are proposed. When all the new projects are completed, the generating capacity will be doubled from the present level of 2720 MW. The additions will be:

Thermal: Two more 210 MW units at Tuticorin; A new station with a capacity of 420 MW at Mettur;

One 110 MW unit at the existing Basin Bridge Station; and New project in North Madras with three units of 210 MW each.

Hydel: Lower Mettur Scheme will account for 120 MW.

Kadambarai Pumped Storage Scheme will produce 400 MW.

The Kalpakkam Nuclear Power Station may be commissioned during the next two years and the first 235 MW unit may be hopefully expected to function by the end of th year.

If the proposal for augmenting capacity of the existin thermal station at Neyveli b

100 MW fructifies, the addition to generating capacity, hydel and thermal, in 1980-85 may be about 1500 MW against only 500 MW in 1974-80. This addition will result in an increase in generating capacity to 4200 MW from 2720 MW at the beginning of the Sixth Plan and will enable the Tamilnadu Electricity Board and the Neyveli Lignite Corporation to raise generation by 6000 MU to 15000 MU.

Even as production is increasing there may be a large and unsatisfied demand because of the new industries such as Salem Steel Plant, Tuticorin Soda Plant, the metallurgical-projects at Hosur and also due to expansion and diversification of existing industries. The power position may be expected to be satisfactory only at the end of the Sixth Plan.

Higher Production Cost

With increasing thermal component, the cost of generation of electricity is bound to go up. Unless consumers come forward to absorb the increased costs of inputs and allow the Electricity Board to operate in a viable manner, the Tamilnadu Electricity Board would find it difficult to finance new projects and satisfy the increasing demand from the consumers.

The revenue by the sale of power and other miscellaneous items in the TNEB in 1980-81 totalled around Rs 275 crores, out of which the bulk, amounting to Rs 167 crores, was spent on fuel, coal and oil and the purchase of electricity from Neyveli and Kerala. The balance was adequate to meet the pay and allowances of the employees and interest on loans from the open market. The TNEB is now left with nothing to meet the depreciation and the interest due on loans from the Government.

During the last three years the cost of coal has increased from Rs 82 to Rs 114 per tonne. Similarly the ocean freight as well as railway freight rates have also gone up considerably. In addition increase in the cost of power purchased from Kerala has added on to the cost. Apart from this, power is purchased from the Neyveli project at a fairly high rate. The revenue presently earned by the Electricity Board does not cover the running expenditure fully. Even for covering the maintenance cost, principal and interest liabilities to the institutions, Government has to give assistance. After taking into account Rs. 100 crores as assistance from Government, there will still be a gap of Rs 89.31 crores in a Plan of Rs 169.59 crores. The Planning Commission has stressed the need for a tariff revision, to improve the performance of the Electricity Board. The Commission has also mentioned that the rate charged by Tamilnadu Electricity Board is one of the lowest in the country and it has pointed out that it is inadvisable to continue this low rate of tariff. An upward revision of power tariff is inevitable as also the end of concessional rates to agriculture.

Salem Steel: Integrated Project A Far Cry

Our Madras Bureau

The steel plant in Salem, the dream of the people of Tamilnadu for decades and the subject of persistent agitation by its politicians, has become at long last a reality. But the reality is a caricature of the fond hopes entertained by the people and encouraged by the Centre. What has been commissioned now is not the Integrated Steel Project as visualised many years ago but the Sendezimir mill which the Steel Secretary, Mr. A.S. Gill, said constituted just one component of the integrated project. He hastened to add that the Government was serious in implementing the integrated project.

This first stage consisted of a high speed strip Sendezimer mill capable of producing 32,000 tonnes a year of cold rolled stainless steel coil and sheets of thickness ranging from 0.33 mm to 4.00 mm, and width upto 1250 mm. This complex includes two high reversing skin pass mills, two continuous annealing and pickling lines, a high speed strip grinding line and finishing facilities. The product will become available to a large number of small industries in the country through the marketing outlets of the SAIL. The total investment on the project so far is Rs 167 crores. It is considered possible to redouble the capacity of the plant with the addition of a second Sendezimir mill at a cost of about Rs 30 crores. It is proposed that stainless steel slabs by continuous casting would be produced at the Durgapur Alloy Steel Plant and rolled into hot-rolled coils or hot bands at the Bokaro Steel Plant. This will replace the imported coils as input for the Salem plant. Originally it was the intention of the Union Government to have an integrated special steel plant with a capacity of 220,000 tonnes in the second stage.

It is now said that a decision on the second stage would depend on the performance of the first stage. As it is, the project cannot be expected to become self-reliant, not to speak of generating surpluses. The cost of production of stainless steel at this project is expected to be Rs 83,000 per tonne solely because of the import duty of 325 per cent on the imported hot rolled coils used by this plant. With the prevailing market price of the stainless steel being Rs 56,000 per tonne, the plant might well incur a loss of Rs 86 crores in the first year itself. Unless the import duty on the main product is reduced drastically, the project is bound to incur heavy loses. The import duty when the project report was prepared was Rs 75 per cent only. The Steel Secretary is stated to have said that the viability of the plant has to be ensured before expanding it into an integrated project. What is important now is that the import duty on the hot rolled wide bands should be drastically cut. Even then the viability of the unit is uncertain. The Government will have to consider the ways in which the unit could be expanded so that it becomes a viable unit. To wait for expansion, till the plant generates surpluses is putting the cart before the horse.

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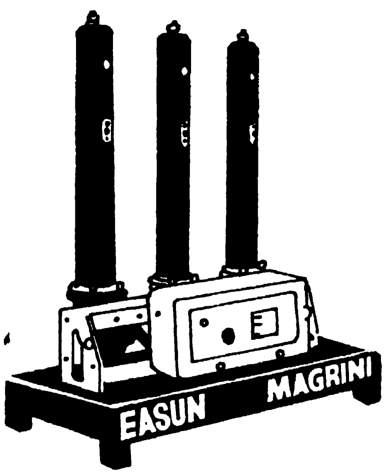

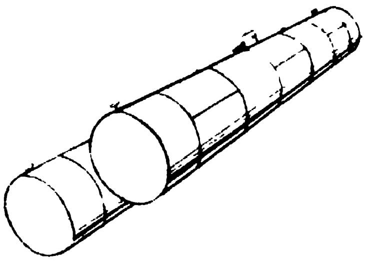

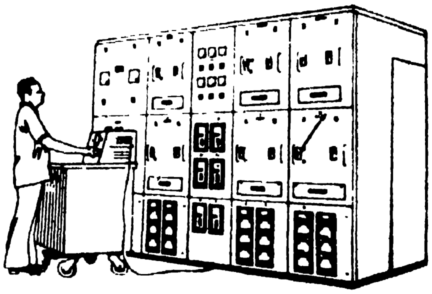

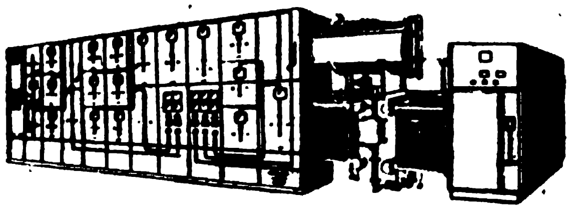

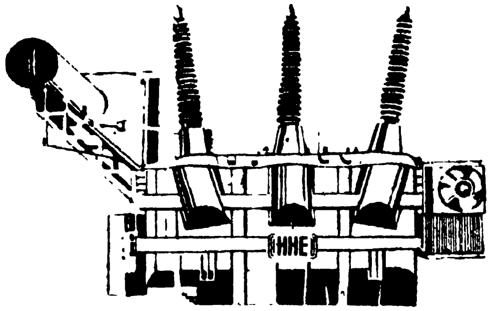

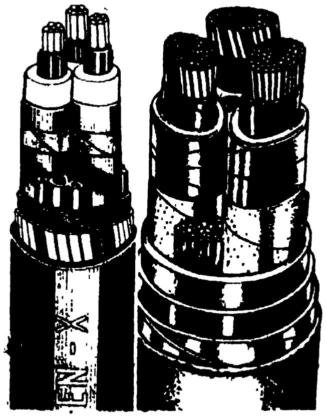

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Sugar : Not Out of the Woods Yet

N. Mahalingam

IF ONE asks a member of the public the question "Is sugar out of the woods ?" the answer will be an emphatic "Yes". Today, the impression has gained ground that the sugar industry here, as elsewhere in the country, is making a lot of money. True that free market prices picked up since 1979-80 and rose high a few months back, but they are falling steadily, though not to highly uneconomic levels yet.

It is not, however, so well known that on account of the very high cane prices offered this year, resulting in nearly 35 per cent increase over statutory cane price, and with the price of levy sugar being calculated without taking into account this increase, free market sugar has to bear this extra burden of nearly Rs 55 per quintal of sugar on the cost of production. Unfortunately, an impression still prevails that the distress price for sugar, which prevailed after de-control in 1978-79, was a fair price and that subsequent prices have been rigged up by the industry. Has the industry really become economically viable enough to be able to cover the deficit of cumulative losses of the past few years? That will be the real test to decide whether the industry is out of the woods.

I shall, therefore, first give below approximate total net profits/losses of the joint stock sector of the sugar industry in Tamilnadu from 1974-75 onwards, so that the reader may decide whether the industry has really turned the corner after wiping out the deficit in successive years (see Table I). I may say, that the same position may roughly hold good in the cooperative and other sectors.

The year 1980-81 may also be a favourable year to many factories though it is a little too early to estimate the profits.

The other aspect is whether there is any relation between the physical performance of the industry and its profitability to enable one to assume that an increased production will ensure greater prosperity to the industry. Table II will give details of physical performance for the same period for the entire industry which shows that there is no such relation. In the year of peak production, i.e. 1978-79, the losses were the highest in the industry.

The percentage of sugar produced in Tamilnadu in relation to the all-India production has not undergone any radical change. But, of late, there is a gradual reduction in the utilisation of the capacity of the sugar mills, which in my view, is an extremely disturbing trend from the point of view of sugar production (Table III).

The average utilisation of capacity in Tamilnadu is thus much less than what it was a decade ago. It is not a question of paying a support price any more to the sugarcane farmer but paying a price demanded by him in his newly acquired status. Already in this year, the highest cane price per tonne ever has been paid, ranging from Rs 175 to Rs 205.60 per tonne (Average Rs 190.76), as against the statutory cane prices ranging from Rs 130 to Rs 160.60 (Average Rs 141.71) per tonne. This highest price has to be paid only out of the free sale realisations and the industry may be left with little for its share, though the law says it is entitled to a half share of the excess realisations.

Levy prices have been fixed only on the basis of statutory cane prices. If cane prices are to be fixed, as at present, only to keep the farmer out of agitation and the fixation continues to depend more upon the degree of restiveness of farmers in various regions, there is no hope for the industry for a return to normalcy.

Again, in Tamilnadu, the levy price has been fixed on the basis of preliminary estimates of duration and recovery at Rs 297.14 per quintal, though the entitlement on actuals would be Rs 316.18. So far, our request for a refixation of the levy price on correct data now available has not been acceded to by the Government of India. Unless the statutory cane price is enhanced suitably next year, atleast to Rs 175 per tonne in Tamilnadu, and with it the levy price for sugar, the coming year may again start the circle of regression in the financial fortunes of the industry, whether its production increases or not.

The State Government has also to address itself seriously to prevent diversion of sugarcane to other sweetening agents. Otherwise, even with a relative abundance of sugar-

TABLE I

Net Profit/Loss for 1974-75 to 1980-81 Sugar Seasons of Tamilnadu Joint Stock Sector Sugar Factories (Approx.) (Balance Sheet Figures for 1974-75 to 1979-80)

1974-75	1975-76	1976-77	1977-78	1978-79	1979-80
(Rupees in Lakhs)					
Minus 115.35	Minus 190.04	Minus 359.86	Minus 710.91	Minus 823.07	Minus 314.97

TABLE II

Performance of Tamilnadu Sugar Factories 1974-75 to 1980-81

Year	Total No. of factories working	Cane crushed	Sugar produced	Duration days	Recovery %	Tamilnadu % of All India Production
		(In Lakh Tonnes)				
1974-75	17	45.56	3.84	169	8.43	8.01
1975-76	16	19.70	1.82	90	9.23	4.27
1976-77	19	37.92	3.22	147	8.49	6.67
1977-78	20	54.58	4.66	172	8.55	7.21
1978-79	20	58.99	5.03	174	8.52	8.55
1979-80	20	40.78	3.67	124	9.00	9.42
1980-81	21	48.35	4.22	130	8.72	8.19

cane supplies, adequate supplies to sugar factories may not materialise next year. It fact, the Government of India are trying to ride two horses at the same time; it wants to get the cane-grower a price to prevent him from taking the issue to the streets; it is also trying to pacify the vociferous urban consumer by a low levy price for sugar, without any restrictions on gur or khandsari. The profitability of the industry was artificially depresed by the Government in the name of consumer protection for a number of years, and partly because of Government of India's mental reservations against a higher levy price due to political reasons. This rigidity in levy pricing should not become a permanent feature of Government's sugar policy.

Tamilnadu factories have two *inherent* disadvantages: One is that they are in a low recovery area. The average recovery has not improved in spite of the fact that all sugar factories are becoming more and more alive to the need for cane development in their areas and are also fairly efficient in milling. The second inherent disadvantage is the long distance from the North Indian markets, to which some portion of our free-sugar has necessarily to be sent as the entire quota cannot be consumed by Kerala, the only nearby deficit State—with Karnataka, which is nearer to some Kerala markets, acting as a competitor. To this is added a third imposed disadvantage of a disproportionately high local tax burden, i.e on sugarcane purchases, which is the highest in the country—a disadvantage imposed by the State Government.

In 1979-80 the incidence per quintal of sugar was as much as Rs 24 in Tamilnadu against only Rs 11 in Andhra Pradesh, Rs 18.5 in Karnataka, Rs 15 in Maharashtra, Rs 16 in Uttar Pradesh and only Rs 3 in Punjab. We have been knocking at the doors of the State Government for a reduction, but so far our efforts have been futile. This even threatens to become a permanent disadvantage as the Government's attitude only hardens with successive requests.

The sugar industry in Tamilnadu has gained some respite this year, no doubt, but is not yet on its feet. Much again depends upon the policies of Government both in the State and the Centre. An increase in production alone may not bring in increased prosperity to the industry—the experience of Tamilnadu factories in 1978-79 has been otherwise

The fact of a possible higher production of sugar in 1981-82, which may reach a record of 500,000 tonnes, may in fact mean only lesser prosperity to the Tamilnadu sugar industry, unless there is an appreciation of the fact, that sooner or later the citizen should be made aware of the real cost of consumption of sugar. There is no point in keeping up the facade of unreality to delude him; he must be made aware of the actual cost.

Unfortunately, expediency and adhocism have been watchwords of the sugar policy all the while. Government is talking about restraints on prices of commodities; when dealing with sugar, they imagine that it is the only chapter in the saga of inflation. In fact, fertilisers, wheat and rice are examples of how their real prices are kept back from the consumer through Government subsidy. In the case of sugar, this is being done, *not through Government* subsidy, but by arm twisting of the industry to subsidise domestic consumption of sugar, which has become a permanent feature of sugar policy.

TABLE III

Utilisation of Capacity in Tamilnadu and Pondicherry Sugar Mills

Year	Installed Capacity (Daily cane crushing capacity in use)	Cane crushed (Tonnes)	Cane crushed per tonne of installed capacity
1969-70	18,355	3,838,800	209
1970-71	20,688	3,527,700	171
1971-72	21,463	3,525,000	164
1972-73	34,663	4,237,400	172
1973-74	26,875	5,588,400	208
1974-75	30,700	4,827,800	157
1975-76	31,300	2,146,200	69*
1976-77	31,350	4,101,500	131
1977-78	38,725	5,723,500	148
1978-79	41,600	7,082,700	146
1979-80	41,766	4,286,015	103
1980-81	42,850	5,099,164	119

*1975-76 : a drought year.

If sugar prices go down to an uneconomic level and with them, gur prices, the casualty will be the cane-grower as much as the sugar industry.

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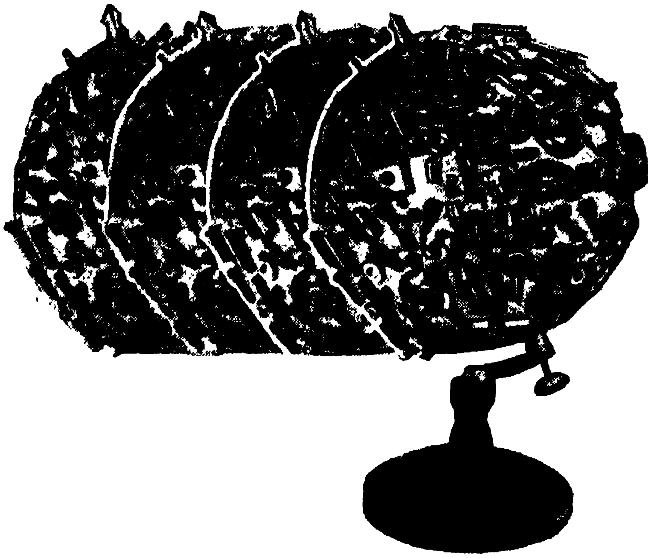

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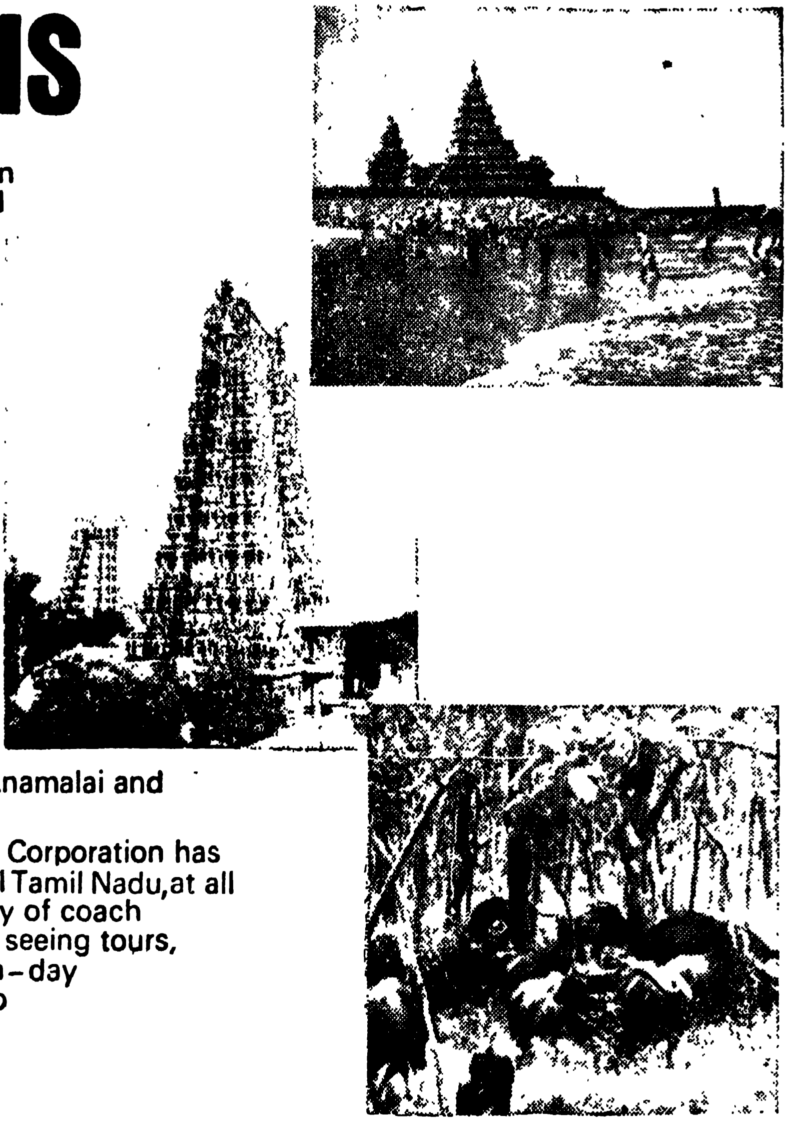

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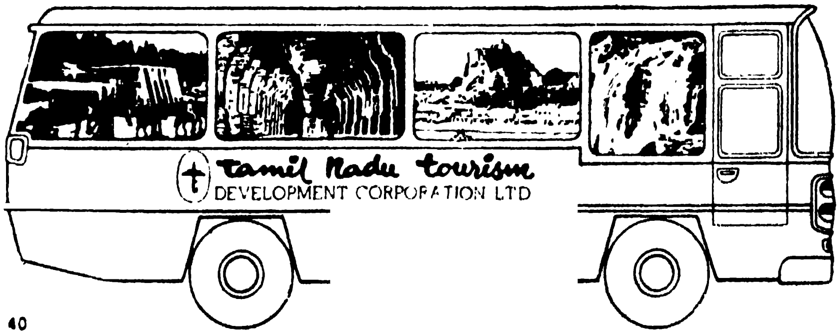

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Electronics Industry : Large Units Yet to Arrive

E. N. Narayanaswamy

Mr E. N. Narayanaswamy, who was the Joint Director of Industries in Tamilnadu, pioneered the Electronics Industry in the State. There is a melancholy interest in this article, as it was written only a week before his death.

THOUGH TAMILNADU has achieved remarkable progress in utilisation of available mineral resources, building up of a good infrastructure, developing highly skilled and disciplined manpower resources and commendable progress in the fields of engineering, textiles, and automative industries, there is a vast scope for rapid growth in high value added products such as high precision engineering, basic and fine chemicals, sophisticated machinery and electronics. Because of the availability of highly skilled manpower and good training facilities, the potential for growth of electronic industry is immense in the State. This is the one industry which needs very little power and water and its raw materials needs are easily met.

Tamilnadu's share of production of electronic goods in the country is only about 2.5 per cent (about Rs 25 crores). This is due to the absence of large scale electronic units in the State. There is scope for setting up large sophisticated electronic projects which could be taken up in the Public sector, joint sector or in the large scale private sector, covering the areas of components, systems and instruments. Three large scale electronic units in the private sector have come up during the last one year.

The Electronics Corporation of Tamilnadu (ELCOT) set up as a fully state owned Corporation would be playing an important role in the promotion of these electronic products. This Corporation has obtained licences for manufacture of electronic components, electronic watches and T.V. receivers, and will also promote joint sector ventures.

A large electronic ancillary development can be expected only if large scale electronic factories are first set up. Take for example the case of Karnataka or Andhra Pradesh which produces over Rs 200 crores worth of electronic goods. The Bharat Electronics Limited, Electronics Corporation of India, Hindustan Aeronautics Limited and Indian Telephone Industries have contributed to the growth of electronic industry in Bangalore and Hyderabad. Around these cities has taken place a large electronic ancillary development.

In spite of the constraints the electronic industry in Tamilnadu has made significant progress during the last three years in the small scale sector especially in the field of process control instrumentation, instruments, television receivers and pre-recorded cassettes and also highly sophisticated items like micro-processor based systems. This has been due to the pragmatic approach of Government and the infrastructure support given to them. The Central Government decentralised 46 electronic items for approval by the State Government and this has been utilised fully by bringing in over 52 new units in the State during the last three years. During the last one year itself 22 new electronic units have come up and these are all sponsored by highly qualified technocrats.

The good base built by the small scale electronic units will be a very good support for any large scale industry to set up and it will also minimise the lead time. The Government have been offering all facilities for setting up a huge electronic complex in the backward area of Pudukottai District through a

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Plantations in the Red

Mr H.C. Kothari Pleads for Immediate Tax Reliefs

An Interview

Question: Mr. Kothari, What is the state of affairs with the plantation industry in South India just now?

Mr. H.C. Kothari: *The state of affairs in the plantation industry is causing much concern to all of us. Wages of labour have risen out of proportion, but tea prices have not risen correspondingly. In fact they are slumping. As a result, most plantations are now in the red. Unless the Central Government and the State Governments in South come to the aid of these plantations either by way of reduction in excise duties, sales tax and octroi or some such bold measure, the industry may be forced to lay off labour in a large way to meet the crisis which is fast enveloping it.*

Q : Will you please tell us what you think is the industrial climate in Tamilnadu at present?

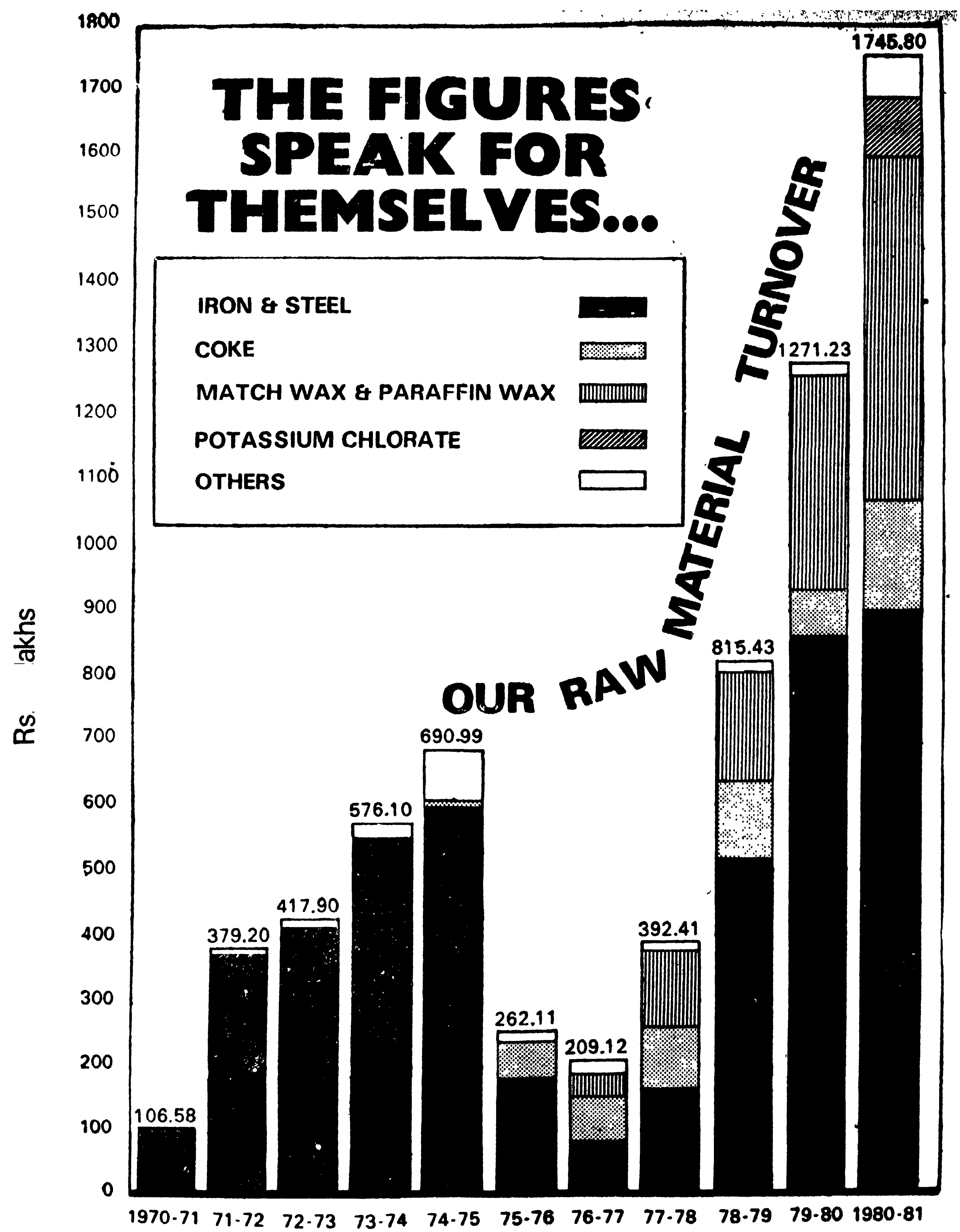
H.C.K. *The industrial climate here, as far as I can see, is clearly uncertain since the basic problem of power shortage has, first of all, to be resolved satisfactorily. Second, the Government of Tamilnadu has got to clearly define its labour policies. Third, the State Government has also to consider all the incentives that should be given to attract entrepreneurs to the State.*

Q : Has there been any improvement in the communication gap that was said to exist between the ruling Ministry and the industrial community?

H.C.K. *There is still a considerable amount of communication gap between the Government and the industrialists. This is also an important factor which is hindering speedier industrial progress and growth of Tamilnadu.*

Q: The State Government claim that on the labour relations front, they have indeed managed quite well. What have you to say to this?

H.C.K. *It is true that labour relations between industries and labour are fairly cordial. Nevertheless, industrial output has not picked up, partly due to labour output having dropped but also due to other factors like power shortage, transport bottleneck, etc.*



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Nucleus complex and also near Madras for setting up a unit of the Bharat Electronics so that a number of small units will come up and provide large employment apportunities. Hindustan Teleprinters are setting up a plant at Hosur for manufacture of electronic teleprinters.

As an infrastructure the following functional estates have been set up by the State Government exclusively for electronics industry and the employment potential is indicated against each. In addition to these estates test and development facilities are also provided at Madras, Hozur and Madurai.

The first electronic estate exclusively for women entrepreneurs has been set up at the Vikram Sarabhai Electronics Complex near Madras with 16 factory units and eight more units will be added in the next year. This cluster provides employment for over 350 persons. The Vikram Electronics Estate, a unique functional estate with its proximity to higher technological institutions and C.S.I.R. complex will also be expanded by providing 12 more factory units in the coming year.

Hosur Estate

The Electronic estate at Hosur has 35 factories providing employment to over 550 persons and making highly sophisticated electronic items used for major equipments in atomic energy, space research etc. This estate will double itself in turnover and employment in the coming three years. There are over 215 electronic units in the small scale sector and 12 in the organised sector. A significant feature of the small scale sector is the diverse product lines of high specialisation and sophistication.

The process control instruments made in the State have found increasing use in steel projects, defence, fertilizer complexes, textile mills, space research and nuclear plants. Over 85 per cent of these units are run by highly qualified engineers and scientists. Some of the more specialised items developed in the small scale electronic sector in Tamilnadu include special antenna systems, manipulators for nuclear plants, frequency monitor controls for power supply systems, electronic B.P. apparatus, vibration recorders, photoelectric devices, educational aids, medical electronic items, computer trainers, alphanumerical display systems, minicomputers, pressure and temperature transducers, ferrites and power sources. Some more units engaged in mining electronics and numerical controls machine tools are coming up.

Growth of Ancillaries

One more interesting feature of the development of electronics in Tamilnadu is that along with the basic electronics industry, the other ancillaries and feeders like plastics, electroplating, screen printing, sheet metal, precision fasteners, special rubber components and packaging have also been encouraged in a systematic manner to foster electronics culture in select growth centres like Madras, Hosur, Coimbatore, Madurai and Trichy.

The annual turnover of the small scale electronic sector has gradually picked up from around Rs 10 lakhs during 1970-71 to over Rs 23.50 crores now. The employment generation has also been very substantial with a steady increase over the last three years. The industry provides employment to both men and women at all levels right from highly qualified to the unskilled. The present direct employment level is 6,500 in the small scale sector (of which 3,500 are women) and it is likely to go up by 3,000 more in the next one year followed by another 4,000 in the following year. The indirect employment would be equal to this number. This is due to the increasing activities of existing units and further units coming up.

The television receiver industry in Tamilnadu has made phenomenal progress during the last three years and in terms of quality it has won reputation all over the country.

There is one joint sector company (Dyanora) with a capacity of 40,000 sets and three units in the small scale sector with a total capacity of 52,500 sets per year. This forms a very sizable portion of the production in country and in the course of the next two years 12 more small scale industries will come up adding the capacity of another 35,000

Coimbatore : Many Sided Development

Our Madras Bureau

Both the town and the district of Coimbatore which occupy an important place in the industrial map of Tamilnadu, are making many-sided development. Known for decades as the Manchester of South India, it is growing into a centre of engineering industries also.

The textile industry heralded the industrial growth of this district and during the second world war, as textile machinery and spares could not be imported, textile engineering industry began to strike roots. From textile machinery, the engineering industry has opened out into a wide spectrum of sophisticated hardwares and softwares meeting the needs of a variety of industries. There are about 175 large and medium scale industries in the district. There are about 80 textile industries accounting for 24 lakh spindles representing 12 per cent of the spindles installed in the country. The textile units are being systematically modernised, assisted by an active research organisation known as South Indian Textile Research Association.

The availability of natural foundry sand, need for textile spares and technical guidance from large industries are the factors for the development of the foundry industry and machine shops. Now, Coimbatore is one of five major foundry centres in India. Viewed in the context of its being located far away from the sources of availability of coke and pig-iron and steel, the saga of the development of engineering industries and foundries in Coimbatore could be said to be one of the best in our country. Since 1924? Coimbatore has been an important centre for the manufacturing of pumps, electric motors, textile machinery and spares. The pump manufacturing industry is now flourishing; leading foundries have come up and more than forty per cent of the motors and pumps in the country are manufactured in Coimbatore.

The most impressive development of the industrialisation of the district is the emergence of very enterprising entrepreneurs. The total number of small scale industries is nearly 3200. These units produce a very wide variety of agricultural machinery, machine tools, transport equipment, consumer durables of rubber, plastic, petroleum, chemical, leather, paper, wooden and steel furniture etc. Tirupur is well known for the hosiery industry.

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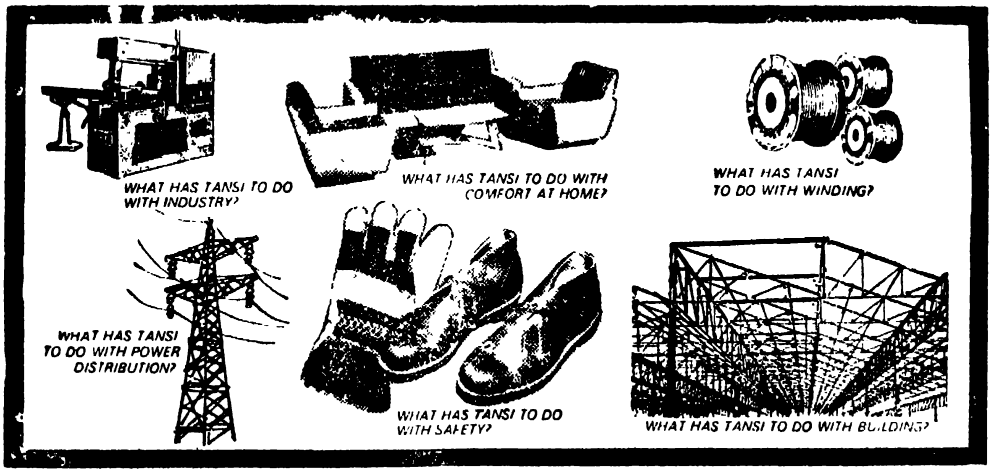
sets. A hundred per cent export oriented T.V. receiver unit has come up in Hosur in the private sector with an annual turnover of 3,00,000 sets. The manufacture of allied video areas like video cassette recorders are also to come up shortly These will form a very good base for meeting the color T.V. transmission without delay as and when it comes up.

Electronics Industry: Turnover and Employment Potential

Location	No. of units	Annual Turnover	Employment	Additional employment in coming 3 years
		(Rs in lakhs)		
1. Madras (Vikram Sarabhai Instronic Estate including Women's Electronic Estate)	78	7.50	3020 (1400 women)	1500
2. Kakkalur	14	10.00	150	100
3. Hozur-Factories Plots	12			
Plots	23	80.00	550	300
4. Trichi	8	10.00	160	150
Units and Plots	40			
5. Coimbatore „	24	..	Under development	500
6. Special Developed Plots on Lattice Bridge-Mahabalipuram Road	100	..	92 applicants allotted plots	2000
Total	299	850.00	3880	4550

The total number of television receiver sets served by the Madras transmitter station is over 2,80,000 of which over 80 per cent are produced in Tamilnadu. This is a good record especially considering the fact that there has been competition from other reputed manufacturers. The products made in Tamilnadu have been able to pierce the market because of the quality and "*after sales service*"

Since the last two years, the approval for setting up television receiver units in the small scale sector has been delegated to the State Government and due to the promotional work done so far, 16 units have already been issued approval. The installation of the satellite in the next one or two years and the proposed hook-up with other stations like Delhi and Bombay through the micorwave link will open further avenues for increasing the coverage. Due to the heavy competition, the quality of the sets is improving since they can survive only if there is good quality.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Neyveli's New Horizons

Our Madras Bureau

THE NEYVELI integrated lignite project born amidst widespread doubts regarding its viability and usefulness has grown during the last 25 years into an important prop and catalyst of the economy of Tamil Nadu. It has developed into a versatile industrial complex and has put Tamilnadu on the industrial map of the country. It has supplied the much needed power to Tamilnadu which is deficient in coal and has to depend upon distant sources for supply. It has provided thermal energy for Tamilnadu's industrialsation, supplied fuel for domestic and industrial consumption besides providing valuable chemical by-products capable of industrial exploitation.

The Neyveli Power Station is the largest pithead station in the country. Its massive contribution to the power needs of Tamilnadu can be seen from the table alongside.

Neyveli meets about 30 to 35 per cent of Tamilnadu's power requirement during winter and about 50 per cent during summer. The present sale price to TNEB is far cheaper than the hydel power drawn from Kerala.

Neyveli urea helps increase the yield on the farm front in Tamilnadu and Andhra Pradesh. LECO (LTC coke) and coke Fines are being supplied to carbide industries, ferro-alloy and other electric furnaces, magnesite, paper, cement, tyre retreading, sago, dyeing, fried gram roasters, tea industries, even the transport corporation and other units, besides its im- hotels serviceability in homes, mense and hostels.

Effecting considerable savings in foreign exchange by replacing furnace oil in the Industrial sector, LECO also economises fuel cost in certain plants where costly metallurgical coke is dispensed with. Ultimately, in replacing charcoal, LECO's contribution to preserve forest wealth and maintenance of ecology is tremendous.

NLC has also started supplying raw lignites to cement plants to help them tide over coal shortage in reaching their respective rated capacities, especially at a time when cement is in short supply in the State. Paper mills, brick chambers and other industrial enterprises have also been asking for raw lignite supply to them. Their requests are likely to be met shortly.

While mining lignite, several types of clay and sand occur. Washed china clay is being supplied to ceramic and insulator industry. Recently, fire clay in ball clay have also been struck at. Trial orders have been executed to such of those industries which sought this precious commodity. Further studies are to be undertaken in processing and marketing of different types of clay. Above all, emphasis is being laid on strengtheing research & development. Major expansion schemes are in the offing on the eve of the Silver Jubilee of NLC.

Gross Power Generation in Tamilnadu & NLC

(in Million Units)

Year	Hydel Generation	Thermal Generation (including Neyveli)	Total	Neyveli Generation
1962-63	2162	742	2904	278
1963-64	1880	1462	3342	1002
1964-65	2079	1746	3825	1311
1965-66	1979	2230	4209	1769
1966-67	2100	1839	3939	1434
1967-68	2729	2446	5175	2071
1968-69	3055	2616	5671	2319
1969-70	2869	2785	5654	2520
1970-71	3043	2595	5638	2038
1971-72	3749	3054	6803	2436
1972-73	4144	2856	7000	1944
1973-74	3702	3448	7150	2277
1974-75	3827	3541	7368	2289
1975-76	4405	3828	8233	2511
1976-77	2752	5491	8243	3315
1977-78	3768	4544	8312	2693
1978-79	4526	4575	9101	2493
1979-80	5532	4410	9942	2369
1980-81	4925	5621	10546	3175

Work goes on in full swing for the Second Lignite Mine Cut, with an initial capacity of 4.7 million tonnes per annum and the lignite based Second Thermal Power Station with an initial capacity of 630 MW (3 x 210 MW). Major orders for machinery and equipment for the Second Mine Cut and Second Thermal Power Station have already been placed and action is on hand to decide on the remaining contracts also. The first 210 MW unit of the 630 MW Power House will be inaugurated now, and the third one, completing phase one of the project, will be commissioned in October 1985.

Phase II of the expansion envisages 10.5 million tonnes of lignite per annum from the Second Mine and 1470 MW of power from the Second Thermal Power Station, gaining it the status of a Super Thermal Power Station. Studies have also been undertaken for a Third Mine Cut with a capacity of 10.5 million tonnes and another Super Thermal Power Station of 1500 MW. Explorative studies by experts of the Geological Survey of India are on, in the area defined for the Third Mine. Possibilities for putting up a 1500 tonnes per day lignite-based fertilizer plant and 0.5 million tonnes Methanol plant are also being studied.

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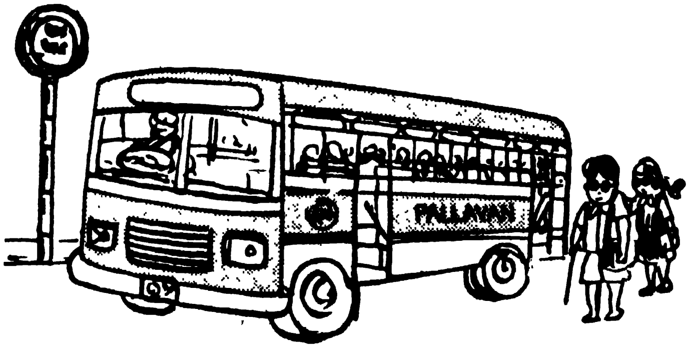

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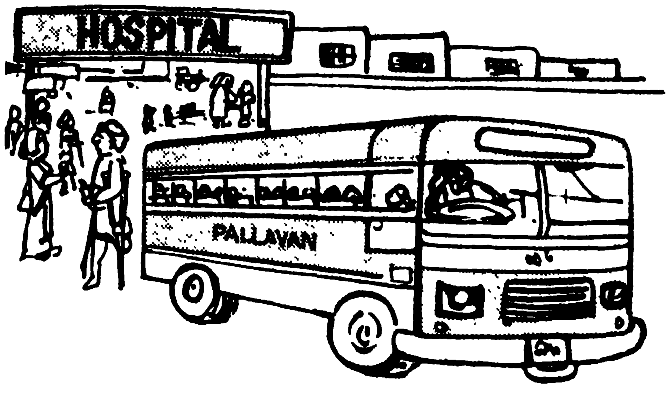

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Handlooms : Need for Modern Technology

Our Madras Bureau

HANDLOOMS are an important traditional rural industry of India and ranks next only to agriculture from the point of view of employment potential. Though at one time there was fear of handloom cloth not getting a fair market in view of the sophistication entering the society, it is by now established that the handlooms have definitely an important role to play in the textile field and given the protection which has been considered necessary for this purpose, they can satisfy a very large internal market. In addition, the export potential for handloom cloth has risen substantially because of the capacity of handlooms to meet the artistic demands which are changing from time to time in the affluent societies of the world. Given the right backing and the technological and design support, the export market for handlooms could continue to expand and give remunerative employment to handloom weavers.

State's Quota

Of the total of 38 lakhs handlooms in the country, 5.56 lakhs handlooms are scattered throughout the nook and corners of Tamilnadu. These 5.56 lakh looms provide employment to 13.4 lakh weavers and livelihood to about 30 lakhs persons in the State and produce about 600 millions metres of handloom cloth per annum. The Government of India have since announced the new textile policy which seeks to allow maximum growth to handlooms. While at the national level, a total production target of 4100 million metres has been fixed for the handloom sector to be reached by March, 1985, Tamilnadu is aiming at increasing the production to the level of 700 million metres by the end of the Sixth Plan. It has been recognised that it would be very difficult to arrange for a regular flow of finance and raw materials and to provide marketing support to the handloom weavers unless they are brought into an organisational framework under a centralised management.

Eliminating Middlemen

The development programmes for the handloom sector have therefore all along laid emphasis on the need for an appropriate non-exploitative organisation eliminating the middlemen. In the light of experience of the last two decades, it has been found that the cooperative societies form the best institutional agency for providing required facilities to the handloom weavers.

The Sivaraman Committee appointed by the Government of India recommended that 60 per cent of the handloom weavers in the country should be brought into the cooperative fold so as to ensure provision of continuous employment and regular income to the handloom weavers. The Centre has accepted this recommendation and recommended the same to the States. Accordingly, the Government of Tamilnadu have taken up a number of programmes to increase the cooperative coverage during the Sixth Plan period. This includes:

(i) Strengthening the existing weavers' cooperative societies;

(ii) Formation of a network of new weavers' cooperative societies at all important centres having concentration of handlooms; and

(iii) Setting up of industrial weavers' cooperative societies for the benefit of looms weavers.

Extending Coverage

Though the national target for cooperativisation of handlooms is 60 per cent, the Government of Tamilnadu has proposed to increase the cooperative coverage to 67 per cent by the end of the Sixth Plan period (March 1985). So far 2.55 lakhs handlooms have been enlisted by organising 1,115 primary weavers' cooperative societies in the State. The present production of these primary weavers' cooperative societies is 100 million metres of handloom per annum.

The 'apex' handloom weavers cooperative society in the State, popularly known as "Cooptex" to which all the primary weavers cooperative societies have been affiliated, plays a very important role in regard to supply of essential inputs and providing very effective marketing support to the handlooms within the cooperative fold. As for the supply of the key raw material, namely cotton yarn, the Government of Tamilnadu have set up a chain of 12 cooperative spinning mills in the State which serve as a captive source for producing almost the entire requirements of yarn of the cooperative sector of the handloom industry ranging from 10s to 120 counts. The 'apex' society procures yarn from 12 cooperative spinning mills and distributes the same to the primary cooperatives through its network of 21 retail outlets. The Cooptex also provides marketing support to its affiliated primaries by procuring about 50 per cent of the total annual production. During the year 1979-80, the Cooptex procured handloom fabrics worth about Rs 29 crores out of a total production of about Rs 56 crores. The Cooptex effected a total sales turnover of Rs 35 crores during 1979-80 and thus established itself as the biggest marketing organisation in handlooms in the country. The projected sales turnover of Cooptex during 1980-81 is about Rs 42 crores.

RBI Finance

The Reserve Bank of India has been extending liberal finance towards the working capital of handloom weavers at 2½ per cent less than the bank rate. On the recommendation of Dr. Hate Committee, the Reserve Bank of India has recently increased the scale of finance per loom by fixing higher limits namely Rs. 2,000 per cotton loom, Rs, 2,500 per silk loom and Rs. 5,000 for polyester loom. It has also liberalised the credit facilities to weak and dormant societies so as to enable them to resume, continue and increase the production. It would be interesting to note that out of the total Reserve Bank of India credit limit of Rs 60 crores for the handloom sector in the country, Tamilnadu alone is availing of credit facility to

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the extent of about Rs 37 crores.

Modern Techniques

In tune with the fast-changing fashions and consumer-preferences and to meet the growing demand in the international and domestic markets for new handloom products, it has been recognised that the handloom industry should also adopt modern techniques of weaving. Any technology appropriate to the handloom sector would involve three distinct objectives, viz. reduction of costs, improving quality of the product and reducing fatigue on the part of the weaver. For this purpose the handloom cooperatives in the State are being encouraged to undertake renovations/modernisations of looms or to purchase new modern looms. To enable the handlooms to develop new products and designs, the Cooptex has so far set up 4 design-cum-service centres, one each at Madurai, Trichy, Salem and Coimbatore. Two more such centres are to be set up at Tirunelveli and Kumbakonam during the Sixth Plan period.

Diversification Programme

Though most of the weavers are accustomed to produce traditional variaties and even resist any changes, concerted efforts are being made to introduce a massive programme of diversification in the pattern of production and to adopt a suitable product-mix, bearing in mind predominantly the consumer needs. This has resulted in a number of handlooms taking to the production of polyester fabrics—shirtings, sarees and suitings in the recent years. These fabrics are well received by the consumers. Leading polyester filament/fibre manufactures like Petrofils Ltd and CAFI have acted as "change agents" for the introduction of polyester fabrics on handlooms through brain-storming of weavers. Now about 2000 handlooms are engaged in the production of polyester fabrics and it is proposed to increase the number of polyster handlooms to 5,000 by the end of the Sixth Plan period, which would give a total production of 27.50 lakhs metres per annum. If the difference in cost of production of polyster fabrics between the handloom and mill sector is compensated or reduced by way of concession in excise duty or draw back of excise duty, there is tremendous scope to introduce in the market, polyester handloom fabrics in a big way.

New Policy

The new textile policy announced by the Government of India provides for increasing the production of controlled cloth from 400 million square metres to 650 million square metres. The handloom sector is expected to be given "a progressively increasing share" in this scheme. The handlooms in Tamilnadu are also producing cheap cloth for distribution to weaker sections. In the State, about 10,000 handlooms are engaged in the production of Janatha varieties of dhoties, sarees and lunghies, and it is aiming at a total annual production of 35 million metres of cheap cloth by the end of the Sixth Plan period. The State hopes to achieve 15 million metres target during 1980-81. The projection for 1981-82 is 20 million metres.

Exports of handloom cloth which were around Rs 11.43 crores in 1966-67 has risen to Rs 302 crores at the national level during 1979-80. About

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Rural Reconstruction Forges Ahead

The Community Development Programme was launched to provide an integrated all round development of rural areas. The programme aimed at scientific methods of agricultural and animal husbandry practices and development of village and cottage industries for raising the standard of living in the countryside. The emphasis was on the felt needs of the people and inculcating community sense and community participation. Investments made so far however could not keep pace with the needs. Despite three decades of development, the felt needs of most of the villages remained a far cry. Though the achievements of the programme have been considerable what remains to be done is formidable. A comprehensive, survey undertaken by the Government of Tamilnadu revealed that about 15,000 kms of village roads had to be improved and 23,000 culverts and 7,000 school buildings had to be constructed. There was immediate need for 1300 maternity and child welfare centres and about 100,000 houses for Harijans. At least 13,000 habitations had to be provided drinking water. It has been estimated that it would cost Rs 300 crores to provide these amenities and perhaps an equal amount for other urgent needs.

It was against this background that the Tamilnadu Government have introduced the self sufficiency scheme: It has been decided to complete the scheme in three years beginning from 1980-81. In the first stage 69 blocks have been selected. In these blocks employment support will be given to the poor and needy and their standard of living will be raised by providing them access to basic minimum needs. The second stage of the programme is expected to cover 150 blocks during the current financial year and the remaining 157 blocks will be taken up next year:

The physical targets are

		(Rs. in lakhs)
(1)	*Water Supply*	2100.00
(2)	*Link roads*	1221.00
(3)	*Culverts*	138.00
(4)	*Pathways to burial grounds of Adidravida colonies*	143.00
(5)	*Improvements to irrigation sources*	23.00
(6)	*Rural dispensaries*	28.40
(7)	*Maternity & child welfare centres*	91.00
(8)	*School buildings*	545.00
(9)	*Housing for Adidravidas*	252.00
		4541.40

A monitoring machinery at the highest level which will co-ordinate the activities of the various development departments has been set up with the Chief Secretary as its Chairman.

Provision of a pattern of staff for supervising and co-ordinating the activities of various departments for achieving self-sufficiency in other spheres of activities also engages the attention of the Government. The Department of Public Health and Preventive Medicine will be intensively taking up curative and preventive aspects of commonly prevalent diseases in rural areas: Programmes of nutrition and education on a massive scale are a few examples of self-sufficiency schemes of other departments. Similarly other activities will be co-ordinated to the extent required to ameliorate the conditions of weaker sections of the society.

50 per cent of the total handloom exports from our country are out of handloom cloth produced in Tamilnadu. So far as the cooperative sector is concerned, the Cooptex has set up a separate export wing called "Cooptex International" and is gradually building up export sales. Its exports to various countries such as Australia, United States of America, Britain, West Germany etc., are being stepped up. It is expected that the export of handlooms by Cooptex, which is now around Rs 2.50 crores will reach Rs 4.00 crores per annum in the next two years. A liaison office-cum-show room of Cooptex is being opened at Singapore where there is good demand for Tamilnadu handlooms.

The Government of Tamilnadu is implementing welfare schemes such as "weavers housing scheme" and "savings and security scheme" for the benefit of handloom weavers within the cooperative sector. The weavers housing scheme which was discontinued after 1962 has since been revived with effect from 1979-80. It is proposed to construct 5000 houses during the Sixth Plan period. Of this, the construction of 2000 houses has already been planned and the scheme is now under implementation. For this purpose, the HUDCO is providing loan assistance upto 70 per cent of the total estimated cost (Rs 8,000) for each house subject to the condition that the maximum loan assistance should not exceed Rs 5,600 per house. The HUDCO has so far sanctioned loan assistance to the extent of Rs 59.79 lakhs and another loan amounting to Rs 49.73 lakhs is being sought for from them. The Government has also sanctioned a subsidy of Rs 1,000 per house.

The cooperative handloom weavers savings and security scheme which is being implemented in Tamilnadu for the benefit of handloom weavers within the cooperative fold is linked to a group insurance scheme, 56,400 handloom weavers have so far been brought under the scheme. Each weaver who has joined the scheme is contributing 6 paise for every rupee of wages earned by him and the State Government is contributing 3 paise for every rupee and the total accumulations are funded with 7 per cent interest in such accumulation. If a weaver who had joined the Scheme died on or prior to February 29, 1980, his nominee would get an amount equal to the total accumulation in his fund account or a minimum sum of Rs 500 from the Life Insurance Corporation. The Government of Tamilnadu have since ordered that the quantum of insurance cover be increased to Rs 3,000 with effect from March 1, 1980.

As a result of the implementation of the various handloom development programmes in the State which are aimed at ensuring steady supply of inputs, marketing support to handlooms, upgradation of level of technology and product development, provision of welfare measures etc., the handloom industry will continue to fulfil its obligation of meeting the clothing needs of the people and will help to improve the standard of living of the handloom weavers.

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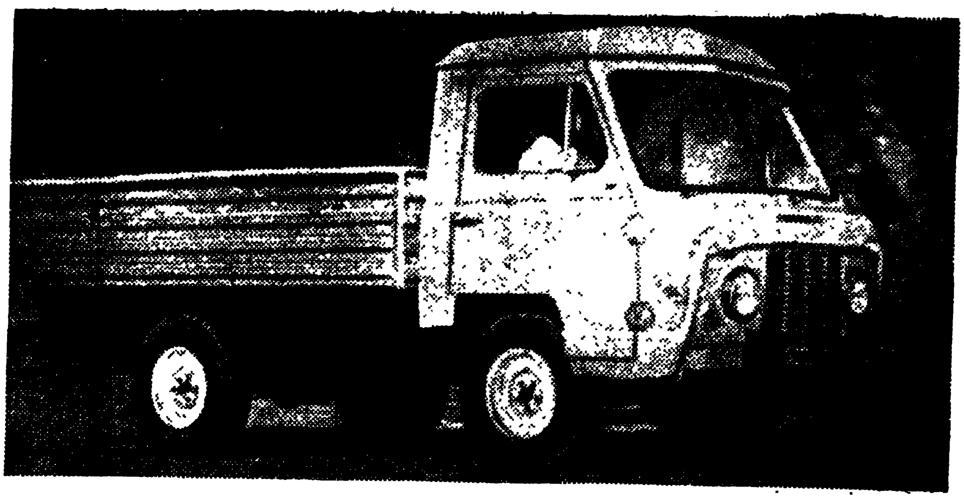

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Water Supply & Drainage : An Impressive Start

V. Karuppan

POPULATION explosion and industrial development have made it absolutely necessary to protect the people from the use of polluted and substandard water to save them from epidemic and other water borne diseases. Provision of adequate supply of protected water and safe disposal of human waste have acquired a special importance. In making protected water available to the people of Tamilnadu there are two major constraints. First, a large investment is required to build the conventional system of water supply and sanitation. Second, even if large investments are made, water resources either on the surface or underground are not adequate to meet the demand. Naturally appropriate technology, design and investigation are required to distribute the available drinking water judiciously to all the people in the urban and rural areas. Having this objective in view, the Tamilnadu Water Supply and Drainage Board (TWAD) was constituted in 1971.

The Programme

The TWAD Board has programmed to provide potable water to the 48.30 million people of Tamilnadu living in 47,000 habitations of the rural areas and 740 municipalities and townships and town panchayats of the urban areas. After the formation of the Board, planning, investigation and execution of water supply programmes were being drawn up and executed.

The Board also had assistance from the UNICEF, WHO, UNDP, the Government of India, the Life Insurance Corporation and the State Government. Special emphasis has been laid on the programme that all the amenities that are available in the urban areas are provided in the rural areas also on a priority basis.

The First Phase

The programme relating to the whole State was launched during 1977 as a first phase and as many as 5,442 habitations were taken up with ultimate cost of nearly Rs 21 crores for providing protected water supply. Nearly 5,000 habitations with a population of 20 lakhs have benefitted by an access to wholesome protected water supply. During 1980-81 the Government of Tamilnadu has taken an area programme called Self-Sufficiency Programme and limited the operation of the TWAD Board for the purpose of rural water supply to about 69 panchayat unions covering as many as 2208 habitations of rural areas with an ultimate cost of nearly Rs 16 crores.

[illegible] :r supply the Board is executing schemes in Corporations like Madurai and Coimbatore and also other municipalities and townships and town panchayats. Out of 740 municipalities, townships and town panchayats, the Board has completed water supply programme in about 231 urban units with the finances from the Government of Tamilnadu, the Life Insurance Corporation and the resources raised by the local bodies. Seventy schemes are under progress. Every year 40-50 schemes are being passed on to the LIC for assistance in carrying out the water supply programmes of the municipalities and town panchayats. It is estimated that with sources of finance from the Government, LIC and the local bodies water supply could be effected in about 300 and odd municipal, town panchayats and townships. That would leave nearly 440 small towns for future planning and development.

The TWAD Board decided to approach the World Bank to cover all the remaining 440 small towns with adequate protected water supply with the financial assistance of the Bank. The World Bank Mission initially agreed to finance 120 small towns with an ultimate cost of 100 million dollars (Rs 85 crores). On further discussion it has finally agreed to finance completion of water supply programmes in two corporations, i.e. Madurai and Coimbatore, one municipality i.e. Salem and for 94 other small towns during the next 3-4 years. Negotiations are under advanced stage and the TWAD Board is hopeful of launching the programme under the World Bank aid at an early date.

The TWAD Board is executing drainage programmes

Mr V. Karuppan, IAS, is Managing Director, Tamilnadu Water Supply and Drainage Board.

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in such major cities as Tiruchy, Coimbatore, Tirunelveli, Tuticorin and Tiruvottiyur. It has also programmed to cover all the municipal towns with a population of over one lakh under its Sewage Programme. The Board is approaching the HUDCO to finance a Rs 12-crore project of drainage scheme for Salem both to collect and to pump and also to raise green grass for cattle on about 500 acres near Salem town. All these drainage schemes are always combined with a sewerable farm and sewerage treatment plants. These programmes are likely to be completed by the end of 1983-84.

A major constraint is the non-availability of potable water in adequate quantity near the rural areas where water is required. The pipes of proper size, i.e., AC, CI and other PVC are not available in adequate quantity to convey the water from the far off places. The shortage of engineers at the first line supervisory level is another factor tempering the speedy execution of the programme.

In addition to planning, investigation and construction of water supply schemes, the TWAD Board is also charged with the responsibility of maintaining these schemes. The TWAD Board has responsibility of maintaining 24,000 hand pumps. A three-tier system has been set up consisting of a caretaker at the village level; BDO at the block level and Executive Engineer at the district level. This has been commended by both UNICEF and other State Government officials who had visited Tamilnadu and they wanted to emulate this system in their respective States. The problem that the TWAD Board faces in this task is the non-involvement of the local public.

Similarly the Government have entrusted the responsibilities of maintaining 11,000 odd power pumps which are under the control of the both town panchayats and village panchayats on the basis of pro rata payment to the TWAD Board. This also is being maintained at a satisfactory level to the rural population.

Thus planning, investigation, production and supply and maintenance of water which are among the important requirements for the well being of the people have become the responsibility of the TWAD Board.

A good protected water supply reduces mortality. It helps to retard the spread of epidemic diseases like cholera and typhoid. A good water supply in the rural areas alleviates one of the 'PUSH' factors of migration. The conditions that people enjoy in urban areas are brought to the rural areas. It ensures the welfare of women and children due to the fact, that water is available at their doorstep. Women, who had to carry water over long distances, have now time available to attend to their children and also for both productive and economic activities.

The TWAD Board has taken up the responsibility of providing wholesome protected water supply to the entire population of Tamilnadu. It is hoped that the objective of the Government both at the Centre and the State, will be achieved without any shortfall and the ten-year programme for providing 100 per cent protected water supply, 80 per cent sanitation in urban areas and 25 per cent sanitation in rural areas will be completed before the decade closes by spending as much Rs 946 crores.

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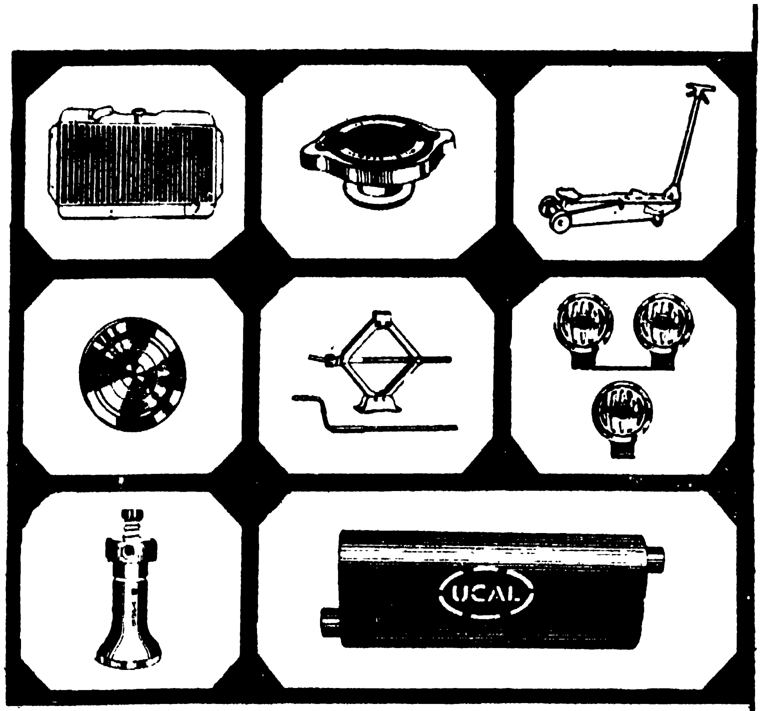

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Fisheries : Increasing Production

Our Madras Bureau

TAMILNADU is one of the maritime States that can boast of organised fishery development with a Fisheries Department dating from 1907. The main objects of the Tamilnadu Fisheries Department are as follows:

With a view to increasing the fishery wealth in marine and inland sectors, to adopt modern techniques in catching fish and developing and exploiting other fishery resources and to improve the traditional craft and gear and introduce diversified fishing, the Government of Tamilnadu has put through a number of fishery development schemes through Five Year Plans from 1951-52.

During the First Five Year Plan, a sum of Rs 31 lakhs was provided for fisheries schemes. This rose to Rs 13 crores in the Fifth Five Year Plan. The State Government has plans for an ambitious financial outlay of Rs 37 crores during the Sixth Five Year Plan period. The impact of the fishery development scheme can be seen in the increase of marine and inland fish production in the State.

Recently after intensive trials a scheme to replace country craft with fibre-glass flat bottom boats fitted without board motors has been introduced by Tamilnadu Fisheries Development Corporation and under this, 30 boats have been experimentally supplied to fishermen.

Fish and fishery products landed all along the one thousand km. coastal length of Tamilnadu have contributed to marine products export which was of the order of 8,000 tonnes valued Rs 30 crores in 1979-80.

A programme has been started for improving the inland fish production. The first phase will have a target of 100 million fingerlings per year which will be completed by 1983-84. Two more phases will be taken up subsequently which will step up the production to 300 million fingerlings per year. Further, reservoirs and irrigation tanks would be stocked with quality fish seeds. A training programme for the rural youth in prawn farming has also been taken up. These centres will train about 1,000 youth in a year. Simultaneously, the activities in the deep sea fishing will also be accelerated. During 1981-82, four sophisticated deep sea fishing trawlers will be acquired and deployed to exploit fish resources available in the Wadge Bank, Pedro Bank, Gulf of Mannar and Palk Bay areas. In addition, the Tamilnadu Fisheries Development Corporation will acquire five 45-feet purse-seiner vessels to exploit pelagic resources on the south-west and south-east coasts. The Corporation will also expand and intensify the marketing activities by opening more retail outlets in Madras City and in other important cities like Coimbatore, Madurai and Tiruchirapalli.

The landing facilities and fishing harbours will also be improved during the next financial year. A major fishing harbour at Madras is under construction. Yet another fishing harbour at Chinnamuttom and a minor landing jetty at Valinokkam will be taken up during the next year. Investigations have been completed for developing similar facilities at Pazhayar in Thanjavur district. It is proposed to provide such facilities in Thondi village also and investigations have been taken up. In collaboration with FAO, Government has been taking various steps to improve the earnings of fishermen. Trials with small boats, improved indigenous craft and surf boats, are being conducted to assess the most suitable and efficient small fishing craft to increase the marine fish landings of small fishermen. Experiments are also being conducted at Mandapam and Tuticorin to assess the efficiency of the pair trawling methods.

Fish Production in Tamilnadu

	Marine	Inland (In Tonnes)	Total
At the beginning of First Five Year Plan—1951-52	45,700	36,000	81,700
At the end of the Fifth Five Year Plan—1978-79	210,316	150,000	360,316

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Growing Popularity of Express Services

Our Madras Bureau

THE LONG distance express services operated by the Tiruvalluvar Transport Corporation of the Tamilnadu Government have grown very popular with the public and satisfy a real need. Begun in 1959 they have expanded phenomenally during the last two decades. Originally part of the Pallavan Transport Corporation and renamed as Tiruvalluvar Transport Corporation in 1980, this service supplements in a big way the railways in the State.

With a fleet of 483 buses, the Corporation operates 422 buses daily on 165 routes The route length is varying from 152 kms to 752 kms. The 422 express buses are daily operating 710 single trips and covering a total distance of 2.58 lakh kms by offering an average of 20,000 seats. It operates 42 routes on inter-States permits to the neighbouring States of Andhra Pradesh, Kerala, Karnataka and the Union Territory of Pondicherry and also connects all district headquarters, business and pilgrim centres in Tamilnadu like Palani, Tiruchendur. Tirutani, Chidambaram, Nagapattinam, Rameswaram and Tuticorin.

Additional Comforts

Recognising that the long distance passengers require additional comforts to lessen fatigue, super delux coaches and air-conditioned coaches were introduced during the year 1978. The comforts that are being provided in the super delux, air-conditioned buses are (i) well-cushioned comfortable reclining seats; (ii) cool air-conditioning (iii) channel music (iv) cinema shows in running buses: and (v) magazines and dailies for reading during journey. At present there are 93 super delux buses and 8 air-conditioned coaches running on various routes. An average of 45,000 passengers are travelling per day providing an average revenue of more than Rs 6 lakhs per day. For the convenience of travelling public, reservation of seats can be made 10 days in advance and the same facilities are provided at all the major bus stands. Reservation quota system is also provided just like railways for boarding en-route.

Express Services: Growth at a Glance

	1st April 1978	As on 31.5.81
Fleet	256	483
Schedules	214	422
No. of Routes		
a) Intra State	50	125
b) Inter State	2	42
Daily K.M. Operated in Lakhs	1.24	2.58
No. of Passengers Carried Per Day	20,000	45,000
Daily revenue in Rs Lakhs	2.29	6.95

The Corporation has 12 operating depots, to maintain its fleet throughout the State of Tamilnadu. This corporation owns 10 bus stands in various parts of the State and maintains them for the convenience of the public. It maintains traffic supervisory staff for efficient control and convenience of the public at 32 terminals. The Corporation has its own central workshop at Trichy for body building, reconditioning of engines and other spares and retreading of tyres. The renovation of the bus bodies is attended to at Madurai depot. New bus bodies are now built at Nagercoil depot also.

The Corporation has facility for training drivers and a driving school is functioning at Madurai. The driver training school is well equipped with a fleet of training buses, class room and teaching aids. Such training has helped to improve the quality of driving. In order to motivate the drivers to cultivate careful, accident-free driving habits, an incentive scheme of cash award is given every year.

The Corporation has plans to instal a wireless communication system exclusively for its use throughout the State to ensure prompt attendance to accidents, repairs, keeping up of punctuality in despatch and arrival of buses and movement of vehicles.

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Tourism Needs a National Authority

Our Madras Bureau

THE MINISTER for Tourism of Tamlinadu, Mr R.M. Veerappan, has welcomed the proposal by the Government of India to lay down a national policy on tourism. Mr Veerappan says that the implementation of such a policy would be possible only when it is entrusted to a high-power National Tourist Authority. Mr Veerappan says that Tourism cannot be promoted successfully by the Government alone. It has to be a joint effort of the Government, the travel trade and the people. To ensure a co-ordinated effort by all those concerned with the tourism promotion programme, a National Tourism Council may be set up to advise the National Tourist Authority.

Tamilnadu stepped into the tourist map of India comparatively late and has to develop its infrastructure in a big way to get its share of the industry. The State Government is quite alive to the problems. Tamilnadu has a marvellous of mosaic of tourist attractions to cater for varied tastes. The successive rulers of Tamiladu have left a unique trail of tradition in temple architecture. The Pallavas who ruled from about the fourth century were the pioneers in Monolithic structures and bas-reliefs in stones. The Pandyan dynasty further elaborated on it and the later Cholas perfected this Dravidan temple architecture. Mamallapuram monuments bear an eloquent testimony to the excellence of Pallava sculptures. Madurai's Meenakshi temple stands as a silent tribute to the glory of the Pandyas and the Nayaks. The Brigadeswarar temple at Thanjavur proclaims the grandeur of the Chola period. Temple art is interwoven with the traditional and the cultural life of the people. These temples are citadels of Tamil art and culture. They have fostered and nourished the enchanting music, dance and drama of Tamilnadu, maintaining the continuity of tradition.

The rich heritage of temple architecture along with the picturesque hill stations, the beautiful beach resorts, the picnic spots of rare scenic beauty and the wildlife and bird sanctuaries constitute the colourful canvas of tourist attractions in Tamilnadu. Ootacamund (Ooty) and Kodaikanal (Kodai) the two major hill stations of Tamilnadu, have unique characters of their own, presenting a calm and serene environment along with salubrious climate. Tamilnadu has a long sea coast dotted with beautiful beach resorts like Mamallapuram, Rameswaram, Kanyakumari, etc.

Tamilnadu is the home of dainty handicrafts and colourful handloom products. Master craftsmen nourished by h reditary skill handed down by generations, composed symphonies in stones. Others used metal, wood, etc., as the media through which their great skill and dexterity find expression in creations of unique work. of art often blending imagination with the legend and mythology. With such a vast and varied spectrum of tourist attractions, Tamilnadu is a very satisfying tourist region in the country.

Tamilnadu Tourism Development Corporation is working hard to make the State attractive for tourists. Besides developing places of international tourist attraction like Mamallapuram, Rameswaram and Kanyakumari, the Government is also giving attention to develop new places like Pichavaram, Hogenakkal, etc., which have a lot of tourism potential. A master plan for the development of Rameswaram involving a total outlay of Rs 28 crores has been drawn up and forwarded to the Government of India for seeking assistance from the IDA. A scheme for setting up an open air museum at Mamallapuram which will depict among other things, the evolution of sculpture and temple architecture, has been sanctioned. Youth hostels for promoting youth tourism are under construction in about eight places of tourist importance. As a further boost to the development of tourism, Tamilnadu Tourism Development Corporation is continuing to put up tourist hotels in important places. A three-star hotel was recently commissioned at Madurai and another major project is nearing completion at Coimbatore. Recently TTDC appointed overseas selling agents in Malaysia and Singapore for their coach tours. Tamilnadu is the first State to have this distinction at the all-India level.

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Average Daily Net paid sales*	2,37,323	1,93,049	1,64,280
Urban Readership	27,22,000	9,96,000	17,89,000
Readership in Madras City	10,96,000	5,65,000	4,56,000
Reach among all adults			
In below 1 lakh towns	9,36,000	1,89,000	7,43,000
In above 1 lakh towns	17,86,000	8,07,000	10,46,000
Cost efficiency per 1000 circulation (Rs)	0.29	0 36	0 21
per 1000 readership (Rs)	0.01	0 05	0.01
*ABC. July-Dec. 79. Daily Thanthi now still higher @ 2,60,050			
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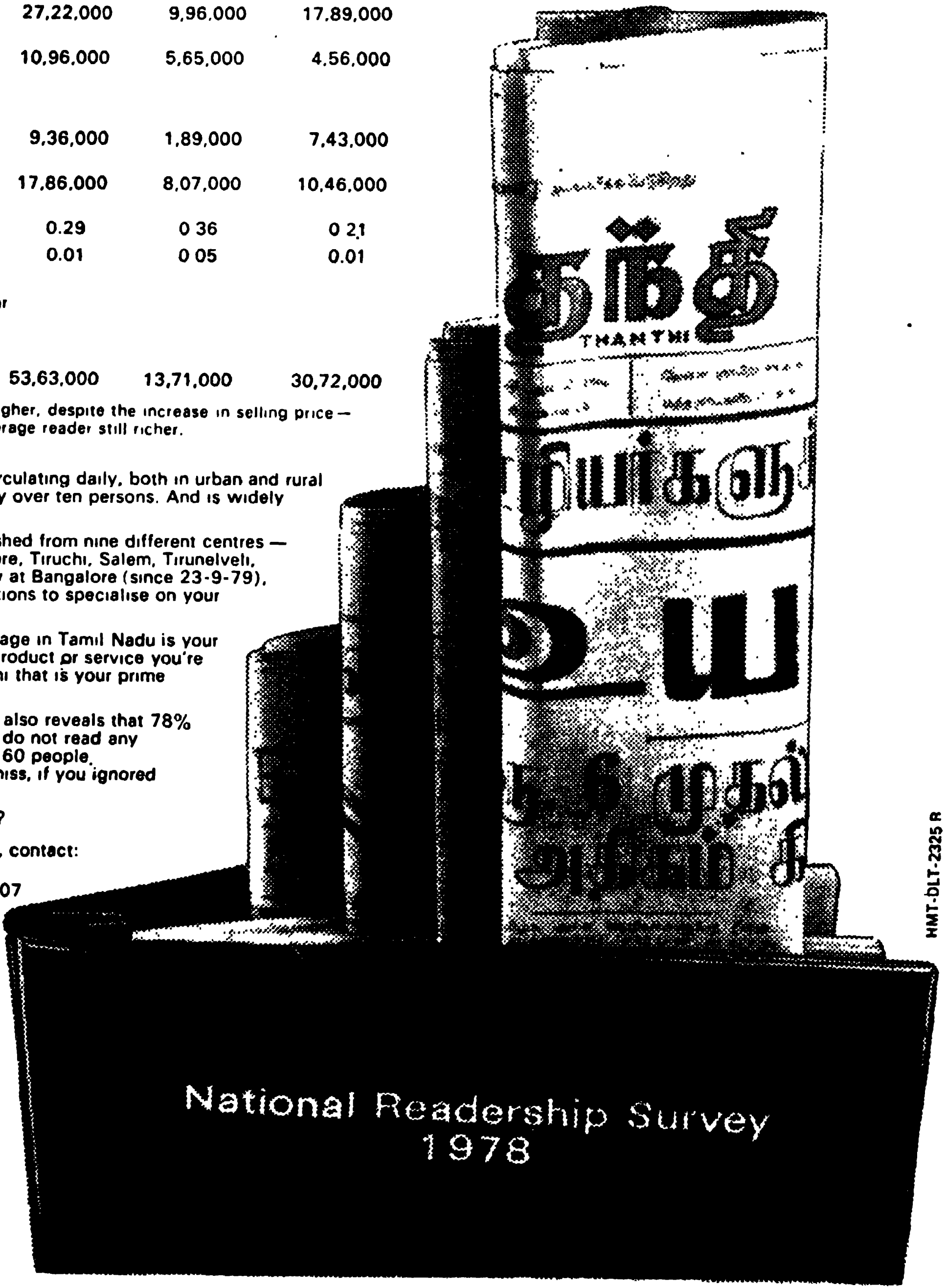

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Madras Port : Hundred Years Young

Our Madras Bureau

MADRAS Port has now completed 100 years of useful existence contributing its share to the development of national economy and foreign trade. The achievements of the port have been significant, yet there is considerable scope for the modernisation of the port operations to facilitate the flow of more traffic, which will help the economic prosperity of the country in general and of the sourthern States in particular.

A brief history of Madras Port will reveal that it is not endowed or designed by nature. Its history is a saga of man's relentless efforts to win over mother nature despite the hurdles and impediments from within and without. The history of the port dates back 200 years when the British came to this area. The East India Company had to carry on its trade from Fort St. George.

Masula Boats

The cargo which arrived by ship from other lands had to be carried by small boats known as "Masula Boats" from ship to shore and then to Fort St. George. This operation was indeed hazardous from the point of view of the risk involved for the men engaged in such an operation and the loss of cargo on account of surf. This situation impressed on the Government the need of a safe haven for the merchant and navy ships.

The construction of an iron screw pile pier was a small beginning of today's major port of Madras. The traffic in those days was just a few thousand tonnes particularly merchandised and finished goods. Years passed; the screw pile pier could not cope with the increased traffic and then was felt the imperative necessity for an enclosed basin for the ships to be safe at their moorings. On December 15, 1875, the new harbour works were commissioned. Two break-waters forming an artificial harbour with an eastern entrance were nearly completed in 1881 which gave safety to the merchant and navy ships. The Madras Port was born. The traffic thereafter increased steadily to a few lakh tonnes.

In 1947, the Madras Port with nine alongside berths and five mooring berths handled a traffic of 1.7 million tonnes. The dawn of Independence and the advent of an era of planned development afforded greater scope for the development of the port. The period between 1950 and 1967 witnessed the reconstruction of two berths and the addition of three berths in the inner harbour, excavation of Jawahar Dock with six deeper berths, installation of new shore cranes, acquisition of additional dredgers and tugs, provision of huge transit sheds and warehouses, a new passenger station, a modern workshop, expansion of the railway system and the purchase of a new floating crane. The port also took the first step to acquire a fleet of mobile cranes and fork lift trucks and high-powered locomotives.

By 1965 the pattern of world shipping had changed and huge tankers and bulk carriers started coming in. An oil refinery near Madras was in the offing. A project to build a deep water dock to the north of the old harbour took shape and has been named 'Bharathi Dock'. The 'Bharathi Dock' at present can receive ships of 46 ft draft and 88,000 tonnes DWT.

An oil berth in the 'Bharathi Dock' was commissioned in 1972 with sophisticated shore installations consisting of five marine loading arms connected by means of pipelines to the Madras Refineries, 8.5 kilometres away. The capacity of the oil installation is 4,000 tonnes per hour for crude petroleum and 700 tonnes per hour for product oils.

In 1976, an iron ore berth in Bharathi Dock with mechanical ore handling facilities designed to handle five million tonnes of iron ore at the rate of 8,000 tonnes per hour with a stock-piling capacity of 600,000 tonnes was completed.

Impressive Growth

Traffic: From barely 600,000 tonnes, the traffic throughout has increased to 104 lakh tonnes in a span of 100 years. Over 1,000 vessels of different nationalities call at the port annually.

The major commodities imported are petroleum-crude, chemical manures, iron and steel materials, cement and metals. The chief items of export include iron ore, barytes, granite stones, hides and skins and tobacco. Passenger services to Malaysia, Singapore and Andamans cater for over 60,000 passengers a year.

Finance: The initial investment on the Madras Port was

Foreign & Coastal Traffic

(in tonnes)

Year	IMPORTS			EXPORTS		
	Foreign	Coastal	Total	Foreign	Coastal	Total
1975-76	4,799,583	287,906	5,087,489	2,612,058	183,755	2,795,813
1976-77	4,600,382	165,516	4,765,898	2,860,348	209,604	3,069,952
1977-78	4,340,907	212,882	4,553,789	3,105,802	408,439	3,514,241
1978-79	4,995,162	281,517	5,276,679	3,952,599	343,105	4,295,664
1979-80	5,446,950	258,539	5,705,489	3,920,160	359,606	4,279,766

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Directorate of Industries and Commerce

(Government of Tamilnadu)
Madras-5

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Rs 56.5 lakhs. Over a period of 100 years, its Port has developed and now its capital assets stand at Rs 98 crores. With the completion of various project works undertaken, the capital assets will exceed Rs 150 crores in another four or five years.

For the period ended March 31, 1981, the port has registered a gross revenue of about Rs 43 crores. After apportioning to the various heads of expenditure and reserves, it is likely to end up in a sizeable surplus this year.

Development Plan

The share of Madras Port in the Sixth Plan is Rs 57 crores. The plans for development of the Madras Harbour could be broadly classified as under:

(i) Development of Bharathi Dock to meet the technological development in the shipping industry towards bigger and larger vessels and to provide better facilities to mono-commodity and container vessels;

(ii) Creation of shore facilities for bulk handling enabling quicker clearance and distribution of cargo;

(iii) Provision of additional berthing space for the increasing liner vessels in view of the increase in the trade in the hinterland; and

(iv) Provision of additional equipments and repair facilities to meet the requirements of efficient operation.

In this direction, the Madras Port Trust has drawn up various projects to be completed in the next 5-6 years. These include:

On a very rough basis, about 70-80 per cent of the country's break-bulk export cargo is containerisable. Even bulk cargoes like fertilisers and mica can be advantageously containerised. Mr Enomoto, an expert from ESCAP recommended to the Ministry of Shipping and Transport that Madras would be an ideal port to be developed as a full-fledged container port. Madras Port will also be able to handle gearless ships. The Bharathi Dock with its draft of 46 ft can easily cater for the needs of third generation container vessels. An estimate costing Rs 27.57 crores for constructing a container berth with sophisticated ship to shore container quay, cranes and other supporting equipments and infrastructure has been sanctioned by the Government of India and the work is in progress.

In order to encourage inter-transport of containers by rail and road, the Government has proposed to set up inland container depots in three States. The first station at Bangalore, being established by railways, would be operational soon.

Bharathi Dock

The Bharathi Dock cannot be used for bringing larger vessels due to certain restrictions that have to be imposed on the size and draft of the vessel. The Bharathi Dock can accommodate normally vessels with draft of 1,402 metres. During the monsoon, vessels upto 1,280 metres only can be admitted. These restrictions cause loss in freight charges. An outer protection arm starting from the existing sheltering arm of the main harbour aligned northwards to the extent of 1,005 metres will protect the channels and turning circle and will make the Bharathi Dock an "All Weather Dock" This work is already in progress The Government has sanctioned an amount of Rs 7.74 crores for this project.

This dock presently accommodates two deep drafted berths to handle oil and ore vessels. The oil berth is designed to take vessels upto 100,000 DWT (49 ft draft). The ore berth is designed to take vessels upto 50,000 DWT (60 ft draft). In view of the limitations of the draft which is only 46 ft at present, these berths are capable of taking vessels upto only 88,000 DWT. The Minerals and Metals Trading Corporation have indicated that deepening of these dock further will enable large carriers to carry iron ore at competitive rates competing with other exporting countries of the world. Deepening of Bharathi Dock to 16.2 metres will cost Rs 24.2 crores and the port is actively considering the project.

With growing demand for fertilisers, over one million tonnes per year is estimated to be handled through this Port. In order to have terminal storage facility, the port is constructing four fertiliser godowns with a storage capacity of 70,000 tonnes. These godowns will later on become part of an integrated scheme of a high speed fully mechanised bulk fertiliser unloading and

Concessions to New Industries

Mr S. Thirunavukkarasu, Minister for Industries, Tamilnadu Government announced on October 5, 1981, new large and medium industries will, henceforth, be eligible to the 15 per cent capital subsidy now being provided to small-scale industries by the Tamilnadu Government. This, he explained, is one of the steps being taken by the State Government to attract new industries to the State. The ceiling on the subsidy for major, medium of small scale units will be 15 per cent subject to a maximum of Rs 15 lakhs. Furthermore, the subsidy scheme which was now being implemented in 24 taluks in eight backward districts would be extended to six more taluks. Also, the taluks to be chosen now would be those which were not essentially backward but which had all the infrastructural facilities for quick development.

Yet another important announcement made by the Minister was that units coming up in the new industrial complexes to be set up at Tuticorin, Manomadurai, Pudukkottai, Cuddalore and Gummidipundi would be wholly exempted from all power cuts for an initial period of five years from the date of their going on stream. They would also be eligible for capital subsidy and interest-free sales tax loan.

The upper limit for the six-year loan under the scheme of interest-free sales tax loan was to be raised from Rs 48 lakhs to Rs 1 crore. The new scheme provides that a maximum of 20 per cent of fixed assets or Rs 20 lakhs, whichever is higher, be given for each year, subject to an overall maximum of Rs 1 crore over the six-year period. The upper loan limit for expansion of units would be raised from Rs 15 lakhs to Rs 50 lakhs. A subsidy of 10 per cent of the value of assets created or at the rate of Rs 20.000 per every regularly employed worker, whichever is lower, would be provided to electronics, drugs and ancillary automobile units set up in the areas not covered by the State or Central subsidy scheme.

Chemical industries would be set up at Cuddalore where 400 hectares were being acquired and export units at Gummidipundi where 240 hectares were being acquired for the purpose.

handling terminal contemplated by the Ministry of Agriculture at an estimated cost of Rs 24.1 crores This work is financed by the Ministry of Agriculture.

Fisheries and other marine products form an important growing industry providing employment to a number of unskilled workers. In spite of the long coastline available for exploitation, the fishing trade in the region remains undeveloped. Hence, a fisheries harbour to provide haven to modern ocean-going crafts and trawlers will prove a boon to the fishing industry in Tamilnadu. The project is being financed by the Ministry of Food and Agriculture. The port is constructing a Fisheries Harbour to accommodate 50 tralers and 500 Pablo Boats at the initial stage and 150 trawlers and 500 Pablo Boats later with facilities on shore like auction and packing halls, freezing plant and slipway. The cost of the project is around Rs 11 crores and this is expected to be commissioned in 1981.

The Food Corporation of India has projected the annual foodgrains traffic of Madras Port around 0.75 million tonnes. A bulk grain terminal costing Rs 12 crores has been planned to facilitate quick handling and timely distribution of foodgrains go the public. The installation will consist of fully mechanised equipment for handling foodgrains with a storage complex consisting of large circular bins of 25,000 tonnes capacity and with a bag delivery system equipped with automatic bagging and stitching machines.

In 1965, the Jawahar Dock, a wet dock with deeper berths, was excavated to accommodate longer and larger vessels. The

Container Traffic

Year	Landed	Loaded	Total
	(In Numbers)		
1975-76	92	92	184
1976-77	135	127	262
1977-78	237	245	482
1978-79	733	494	1,227
1979-80	2,629	1,803	4,432

pattern of shipping technology has so changed now that the length which was designed to take three vessels is not sufficient to accommodate three vessels of longer size frequenting the port. In view of this, the Jawahar Dock will be expanded further south by 140 metres so that this dock can accommodate three vessels of 200 metres on each side as against the present 150 metres. The Government has sanctioned Rs 11.67 crores for this project.

The present oil terminal with capacity to hanale tankers of 88,000 DWT is being used for pumping crude oil to the Madras Refineries and also product oils. The Madras Refineries is planning to double its capacity and when it comes through the bigger tankers bringing crude oil are likely to wait for this single oil berth. It is, therefore, planned to provide an additional oil berth for handling refined products through smaller vessels of size ranging from 15,000 DWT to 65,000 DWT. The total cost of the project including equipment is expected to cost Rs 14.5 crores.

The existing Boat Basin was constructed in 1920 when the port had only a few small crafts. It is necessary to remodel the Boat Basin and also the capacity of the slip-way since the port is now having more number of bigger tugs and 3 dredgers. The port is planning to spend Rs 3.72 crores to remodel the Boat Basin so as to accommodate all the floating crafts of the trust.

The Madras Port is at present having a slipway of limited capacity of 950 tonnes. This slipway is not able to meet the essential repair needs of all the crafts at their normal frequency of repairs. It is observed that many Indian ships are now going to foreign countries for their repairs incurring more than Rs 150 lakhs in foreign exchange annually. The proposed dry dock will be 180 metres long, 24 metres wide and 7.9 metres deep.

The Madras Port, on the threshold of the second century of its useful existence is preparing itself to meet the needs of the commercial public and the growing traffic. It has a greater role to play in the promotion of exports and in the development of its vast hinterland. With a look back, with pride on its past, Madras Port looks forward to the future with hope and determination

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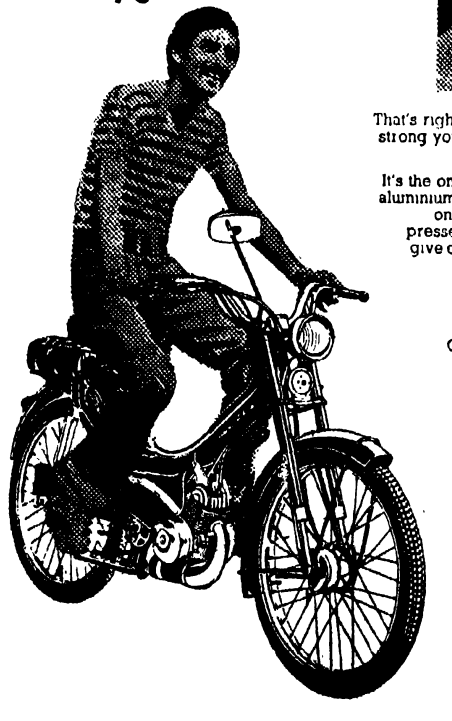

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(iii) Number of consumers	**2.5 lakhs**	**43 lakhs**
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South India Viscose Limited

'Shanmuga Manram', Race Course Road, Coimbatore 641 018

Statement of the Chairman, Shri Shantanu N. Desai made at the 23rd Annual General Meeting of the Company, held on Wednesday, the 30th September 1981 at the Registered Office of the Company at Coimbatore.

Ladies and Gentlemen,

I am indeed happy to be with all of you again and to welcome you to the 23rd Annual General Meeting of South India Viscose Ltd. The Annual Accounts, audited statements and the Director's Report have been circulated to you.

At the previous Annual General Meeting, we had placed before you the annual report and the accounts of the Company for 15 months' period ending 31st March, 1980. Today what we have before us is for 12 months' period ending 31st March, 1981. Comparison of these two statements would reveal that the working results of the Company have improved and that the Company has made a profit of Rs. 561 lakhs for 12 months' period, as against Rs. 588 lakhs in the previous 15 months' period. For this satisfactory state of affairs, we appreciate the efforts of those responsible, from the top Management to the workers in the Factory.

While your Company has done quite well, it is my duty to bring to your notice the odds that we have been facing in the matter of raw materials required for production. There have been difficulties in regard to their availability, timely supply and price. In previous years, the allotment of wood by the Govt. of Tamil Nadu used to be for the period January to December which enabled the Company to work in the forests and stock adequate supply of wood in the factory to take care of the monsoon period. In recent years, however, the allotments are made according to the financial year viz. April/March. This has led to the level of stock of wood at Factory coming down precariously. On account of production requirements in the factory, the forests have to be worked even during the monsoon, when conditions are difficult and costs go up. Representation has recently been made to the State Government to agree to the operation year as from September to August so as to get over the above problem. Govt. have also been requested to issue orders early in the year, allotting the areas so that there could be proper planning in regard to laying of roads and an economical programme drawn up for the exploitation of the forest in the areas allotted. In so far as the revenues to the Govt. are concerned, they would in no way be affected. Therefore we sincerely hope that the Govt. of Tamil Nadu would agree to this proposition.

Shri Shantanu N. Desai

Sulphur is a critical raw material for our industry. This item in canalised for import. MMTC import Sulphur in bulk and make allotments to several units requiring Sulphur. This procedure is fairly satisfactory but there are occasions when stocks start dwindling to critical level and we have to get small quantities on loan to keep the factory running. We are maintaining close liaison with the authorities concerned and trying to get supplies in time. While on the question of supplies, it is to be mentioned that we take the bulk of our requirement from Cochin Port where delivery is made in baskets and a computation of weight made thereof. Sulphur is not weighed and delivered. There is no weighing facilities installed by MMTC. This has resulted in shortage of 8 to 10% in the quantity of Sulphur when weighed at the Factory. Hence not only do we get reduced quantity of Sulphur as compared to allotted quantity but also we are paying more for less. Representations have been made by the Sulphur consuming industries and we again request MMTC to instal weighing facilities Cochin and supply Sulphur by weight.

At the last meeting, mention was made by me in regard to taxes and levies imposd on indigenous Viscose staple fibre, making it more costly than the imported fibre. I am glad to say that on the representations made, the Ministry of Finance have taken a realistic and practical view and reduced the exise duty on normal staple. In doing so, however, they have not included the Polynosic Staple fibre for which representation has been made to the Government of India to keep the excise duty on Polynosic Staple Fibre as it was in the past on par with normal staple fibre.

You are all aware of the Electricity power cuts, which are imposed year after year, in most of the States. The energy sector has been given the highest importance by the Central and State Governments in their 5 Years Plans. The gestation period for new plants is not less than 3 to 4 years and within this time, demands increase. Hence, it would appear as though we will have to continue to live with power cuts. Kalpakkam Nuclear Power Plants yet to be commissioned, although we are told from time to time it will be commissioned in a year or so. The decision to go in for a second mine-cut in Neyveli and to double the thermal capacity there, is a decision to be applauded. We hope that sufficient funds would be made available to Neyveli Lignite Corporation so that the commissioning of the thermal plant is as per schedule. On our part, the Company had ordered a 5 MW turbo-generator and we expect to start erection of the same next month and to commission it by March, 82. We have sufficient steam to work the generator. The monsoon in Tamil Nadu having been favourable, one can reasonably expect that the power cut is not imposed before February, 1982. Hence, by the time the power cut is imposed, we hope to have the generator functioning and to work our factory without any reduction in production.

While on the question of power as mentioned earlier, power cuts have been an annual feature. The availability of power depends on the monsoon on which nobody has any control. But when the reservoirs are full, the power-cut is lifted. What disturbs us is that ours is a continuous process unit, working round the clock and any break-down, whenever takes place leads to loss in lakhs of rupees. It is, therefore our earnest plea that when power supply is normal without any cuts, the eletcricity system should ensure uninterrupted supplies and this we believe is within the human control which will not only assist us but also Industries in general in Tamil Nadu. It might also be mentioned that the drop in voltage is also a constant feature throughout the year. Such sudden drop in voltage causes damage to our motors and other equipments. It is, therefore, again our earnest request to the Electricity system for maintaining the voltage.

I and you are to-day concerned with the growing inflation. Inflation is not confined to our country alone. This is a world wide phenomenon. The only satisfying factor, the rate and growth of inflation in our country is rather at a low level when compared to the international situation. It is indeed gratifying to note that the Government of India is taking measure to contain the inflation and see that the essential commodities are within the reach of common man. Every one would agree with me that the remedy to offset this inflation would be increased production and further industrialisation. While talking of increased production and industrialisation, we should also ensure that the vail of controlled economy is removed. I am of the view, that once the curbs, limitations, ceilings etc., are removed there would be still higher production than expected from many industries, which would not only enable to check the inflation to considerable extent. but improve the standard of living of people.

Nobody can deny that there is need for financial discipline. The Banks will be guided by the recommendations made by Tandon Committee and Chore Committee. While implementing these recommendations, it is necessary that the practical difficulties under prevailing conditions are taken into consideration. For example in the case of Sulphur bulk allotments are made based on bulk imports; and there is no option to limit the off-take based on monthly requirements, prudence dictates holding as much quantity as is made available, since there is no knowing when the next shipment would arrive. Large amount of finance would be required for the purchase of such bulk allotment although it would be out of proportion to the monthly requirements. Yet another instance-when imports are allowed under OGL the indigenous manufactures of such products get into a situation when they find it difficult to market them and hence have to carry heavy stock and their finances get tied up. These are some of the situations which would require imaginative handling and discretion vested with the lead banks for helping the industries.

In order to bring about an atmosphere of industrial peace, Essential Services bill has been introduced and passed by the Parliament. While there has been a controversy in regard to this enactment many of us agree with the Govt. that there was need for such enactment although all of us hope that the need and the occasion to use such provisions would be few and far between. I must take this opportunity to mention that as far as your Company is concerned, the industrial relations have been very happy and our employees work with a sense of responsibility.

Our company is based on the forests wealth of this country. This does not mean that forests would be destroyed. The preservation of forests is a must in our country. What we advocate is the systematic development of forests and regeneration of forests. As one who are engaged in the manufacture of Manmade Fibres we are actively interested and concerned with Man-made forests. In a developing country like ours the emphasis is on labour intensive industries. For those who live in the hilly region there can be no better scope for employment then for being engaged in forest cultivation.

The cultivation of forests has to be with a bias towards identified species which are of use for specific purposes—be it for production of Viscose or for timber or for the growth of silk as in the case of tussar or for tanning industries etc.

Investment made in this regard have necessarily to be by Government. At the same time the people in the community have to be made aware of it, Based on such development the scope for economic activity in the shape of self employment or by small groups in what may be called as village industry is vast. The spin off from such development in the shape of conservation and environment is a fact to be recognised. The pollution, of which the world is becoming increasingly aware of, is something which can be taken care of by organising our economic and social development on the above lines.

Our association with M/s Italviscosa Eastern Trading is continuing and we have had the benefit of their advice and help and we appreciate the help that has been given for the erection and commissioning of the first phase of our Polynosic Staple Fibre Plant. We are working together to see in direction your company could further expand and diversify and as and when we come to definite conclusion we shall keep you informed.

Before I close my address, may I express gratitude to the continued co-operation and assistance that we have been receiving from the Central Government, the Government of Tamilnadu and their executive departments, our bankers and the financial institutions, to my colleagues on the Board and to every one of our employees, who have been responsible for the satisfactory state of the Company.

N.B. This does not purport to be a record of the proceedings of the meeting.

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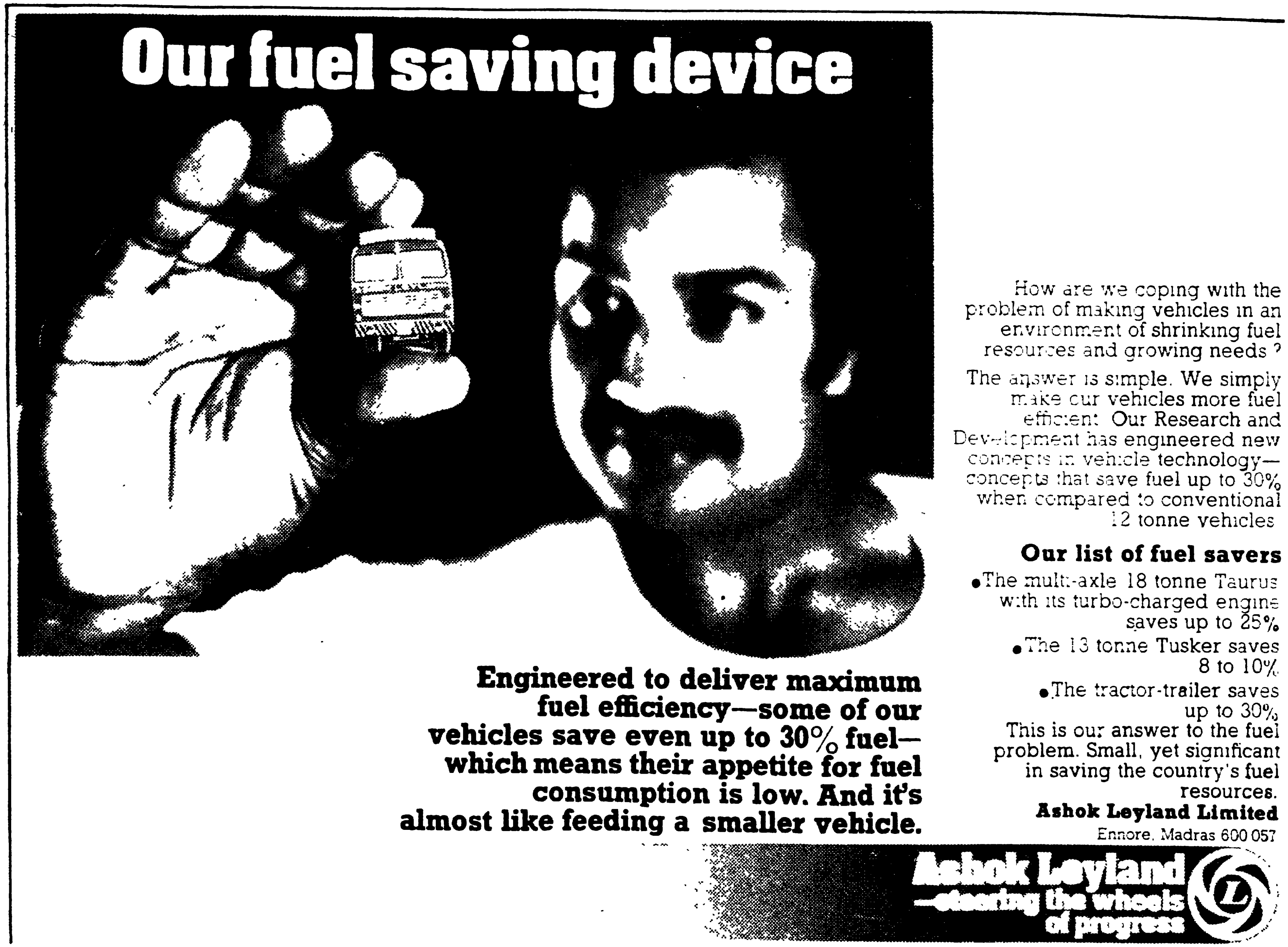

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Editor : Swaminathan S. Aiyar.

Registered at the GPO, London
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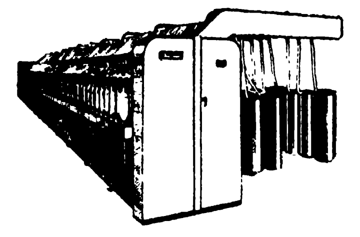
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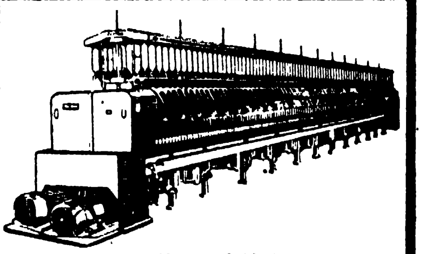
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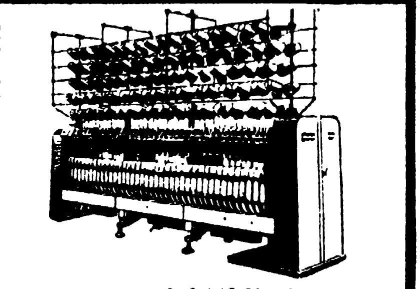
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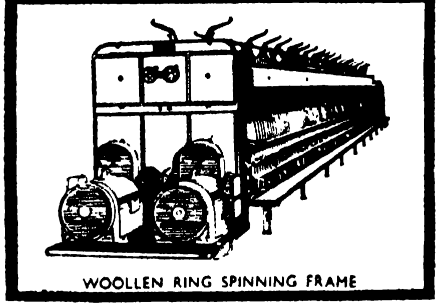
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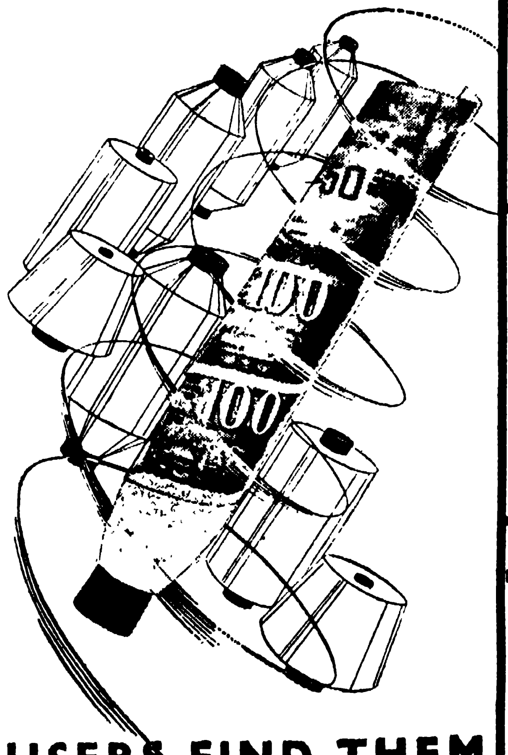

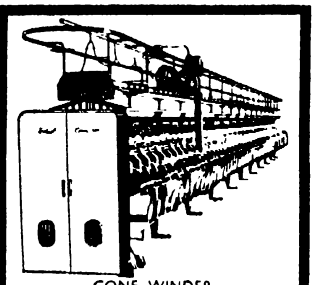
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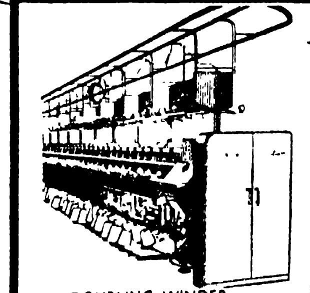
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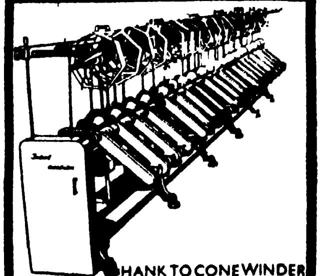
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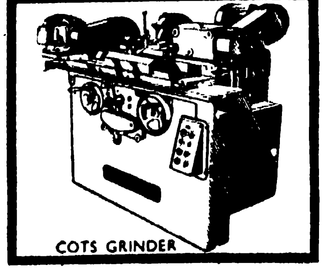
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This Week

October 28

The Agricultural Prices Commission (APC) recommended Rs 142 per quintal as the procurement price of wheat for the 1982-83 marketing season, representing an increase of Rs 12 per quintal over the 1981-82 price.

India and Iraq signed a contract for supply of 3.5 million tonnes of Iraqi crude to India in 1982.

October 29

The minimum export price of basmati rice increased from Rs 5,500 per tonne to Rs 6,000 per tonne.

The emergency session of the Organisation of Petroleum Exporting Countries (OPEC) in Geneva agreed to the base price of crude at $ 34 a barrel.

President Reagan won the support of the Senate for the $ 8.5 billion arms sale package for Saudi Arabia involving the most sophisticated weapons and equipment in the world.

October 30

The pound sterling become costlier by 20 paise following the devaluation of the rupee by 1.19 per cent. RBI fixed a middle rate of Rs 16.85 against the earlier rate of Rs 16.65.

The United Nations Committee on Food Aid and Policies and Programmes (CFA) approved food aid to India worth Rs 118 crores from the World Food Programme (WFP).

The country achieved an export growth of 13 per cent in the first six months of the current financial year.

October 31

The Minerals and Metals Trading Corporation's selling prices for non-ferrous metals, except tin, scaled down.

A tentative four point agreement reached at the Assam talks on steps to strengthen the 270-km Assam-Bangladesh border against future infiltration.

The price of gold for the purpose of exporting gold jewellery against gold supplied by the foreign buyers reduced to Rs 1,364 per 10 gm (equivalent to US $ 453.50 per troy ounce) for November.

India proposed to export goods worth Rs 80 crores more to Romania under the rupee trade agreement between the two countries.

Saudi Arabia, the world's largest oil exporter, proposed to cut its production from 9.5 million barrels a day to a maximum of 8.5 million barrels.

November 1

An entire colony of fishermen consisting of about 100 huts washed away at Rajpara in Junagarh district.

The control room facility in the Ministry of Industry, extended to the cement industry.

An agreement for supply of five million tonnes of iron ore to Romania during 1981-82 worth about Rs 70 crores, signed between the Minerals and Metals Trading Corporation (MMTC) and Mineral Import-Export, Bucharest.

November 2

The pound sterling became costlier by 35 paise following the devaluation of the rupee by 2.03 per cent by the Reserve Bank. The middle rate is Rs 17.20 per pound against the previous rate of Rs 16.85.

The Union Government decided to lift the ban on export of sugar with immediate effect.

The Prime Minister, Mrs Indira Gandhi and the Soviet President, Mr Leonid Brezhnev, described the troposcatter communication link between the two countries as an important milestone in Indo-Soviet Economic, Scientific and Technological Cooperation.

November 3

The five-day-old Assam talks ended without breaking the stalemate over the crucial issue of 1961-71 aliens but both the Government officials and agitation leaders agreed to meet again later this month.

Venezuela is likely to supply an additional 500,000 tonnes of crude oil to India and is expected to make investments in the core sector of Indian industry.

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ECONOMIST

What Price OPEC Unity ?

FOR MANY years, we have been used to the spectre of the Organisation of Petroleum Exporting Countries hiking the price of oil. It is a relief, therefore, that OPEC has actually brought down the price of oil at its latest meeting designed to restore uniformity in oil pricing.

OPEC lost control of the pricing system in early 1980, when individual exporters kept raising the price unilaterally, taking advantage of the oil shortage caused by the sharp slump in the production of post-revolutionary Iran. Saudi Arabia did its best to stem the rising tide, but was helpless in the face of strong world demand. It raised its output from its traditional ceiling of 8.5 million barrels a day to 9.5 million barrels per day. But the Iran-Iraq war caused a further dislocation of world oil production, and the shortage continued. Saudi Arabia then raised its production to 10.3 million barrels per day. Meanwhile the USA had decontrolled the domestic price of oil, and its imports fell steeply by 30 per cent. High oil prices also led to falling demand in Europe, and by early 1981 the world had an oil glut of unprecedented proportions. OPEC production fell all the way from 32 million barrels per day to 19 million barrel per day, and still there was a glut.

Saudi Arabia was able to sell all the oil it produced, as its rate was only 32 dollars per barrel. But countries like Libya and Nigeria, who had raised their price to 41 dollars per barrel at the height of the 1980 shortage, saw their sales fall by over 60 per cent as buyers switched to cheaper crude. Saudi Arabia offered to unify oil prices at 34 dollars per barrel in June, an offer that was turned down by the hawks. But four months later Saudi Arabia has had its way. In return for a uniform price pegged to a benchmark rate of 34 dollars per barrel for light Arabian oil, Saudi Arabia has promised to return to its old production ceiling of 8.5 million barrels per day. Even this may not suffice to wipe out the glut, and it may cut its production still further. If the world economy recovers as expected in 1982, the supply and demand of oil may come again into rough balance.

There are price variations linked to quality. Iran and Iraq will charge between 33 dollars and 34.20 dollars per barrel depending on quality. Venezuela will charge 34 dollars, Qatar 35.65 dollars, Nigeria 37 dollars, Libya 37.90 dollars, Indonesia 34 dollars, Kuwait 33 dollars, and Ecuador 34 dollars per barrel. But it is already doubtful if the high premiums for the quality crudes of Nigeria and Libya can be sustained. There has been a particularly sharp drop in petrol consumption the world over and light crudes are no longer so much in demand. Hence Libya and Nigeria may have to cut their prices yet again if they want to keep their market share

What about the future? Saudi Arabia wants oil prices to be indexed to global prices, so that the price of oil stays fixed in real terms. This has not found favour either with the hawks of OPEC (who want to raise prices at the first opportunity) or the Western nations (who feel that the price of oil is already too high). The answer will lie mainly with market forces. Most estimates suggest that oil supplies will continue to reign easy till 1984 or 1985. After that much will depend on whether Western countries once again become greedy oil guzzlers, and on the progress in developing alternative sources. The chances are that Saudi Arabia and the Western countries between themselves will succeed in keeping prices at a constant or even falling rate, provided there is no major political upheaval in the Middle East.

The glut of oil in the world is not just a temporary phenomenon induced by recession. High prices have made oil conservation very attractive, and there is nothing temporary about the installation of new equipment in Western industries to cut the use of oil. New automobile standards will bring down petrol consumption below historical levels, particularly in the USA, even if prices remain stable henceforth. Massive investments in coal and nuclear energy in the last seven years are beginning to make their impact now on the demand-mix for energy. And there are signs that solar energy is about to become economic—an American company, Energy Conversion Devices, is about to start mass production of a photovoltaic cell which reduces the cost of solar power by one-tenth. Even if this claim is exaggerated, it seems likely that the cost will fall in the years to come. This means that the scope for giant increases in the price of oil is very limited. The price of oil has risen so fast that alternative sources have now become economic.

On the supply side, both Iran and Iraq will need to sell huge amounts of oil to re-build their war-shattered economies. These countries alone are capable of expanding output by 8 million barrels per day. Mexico, has been borrowing heavily to finance its development, and will have to step up its output to repay these debts. The world over, oil exploration is so frenzied that no rigs can be had for love or money. This massive search for oil seems bound to throw up huge reserves outside the control of OPEC. Thus the supply side too seems to augur for stable oil prices.

The apple cart could still be upset by a coup in Saudi Arabia, a nuclear bomb attack by Israel on Arab oilfields, or by some such extreme incident. But the chances are that the worst is over. The 1970s saw the rise of OPEC. The 1980s should witness its decline.

The Sugar Scene

THE LIFTING of the ban on sugar exports has not come as a surprise. It was expected in view of the output in the current (1981-82) crushing season anticipated to increase to at least 6.5 million tonnes. Exports had to be banned last year when there was a serious slideback in production for the second sugar year (October to September) in succession, the output falling from 6.46 million tonnes in 1977-78 to 5.844 million in the next year and to just 3.891 million tonnes in 1979-80. In fact, imports to the order of 180,000 tonnes last year and another 155,000 tonnes (net) this year have been effected to ensure adequate supplies in the market. (This year's imports have been around 215,000 tonnes, but 60,000 tonnes have been exported in terms of the obligation against last years' imports.) This was done despite domestic consumption, which was stimulated to 6.2 million tonnes in 1978-79 from 4.5 million tonnes in the previous year to liquidate the then excessive stocks with the mills, has been curtailed to 5.109 million tonnes in 1979-80 and to 4.899 million tonnes in 1980-81. The output in the last crushing season improved to 5.143 million tonnes.

The carry-over stock for the 1981-82 sugar year being 7.79 million tonnes, including imports, the anticipated 6.5 million tonnes output this year, indeed, should keep the supply position comfortable. Even if demand is allowed to grow somewhat, it should be possible to effect exports. Incidentally, with the world sugar prices ruling high, the International Sugar Agreement of which India is a member, has remained inoperative during the past two years. The global prices taking a downward plunge recently, the export obligation under this agreement will have to be fulfilled during 1981-82, if the membership of the ISA is to be continued.

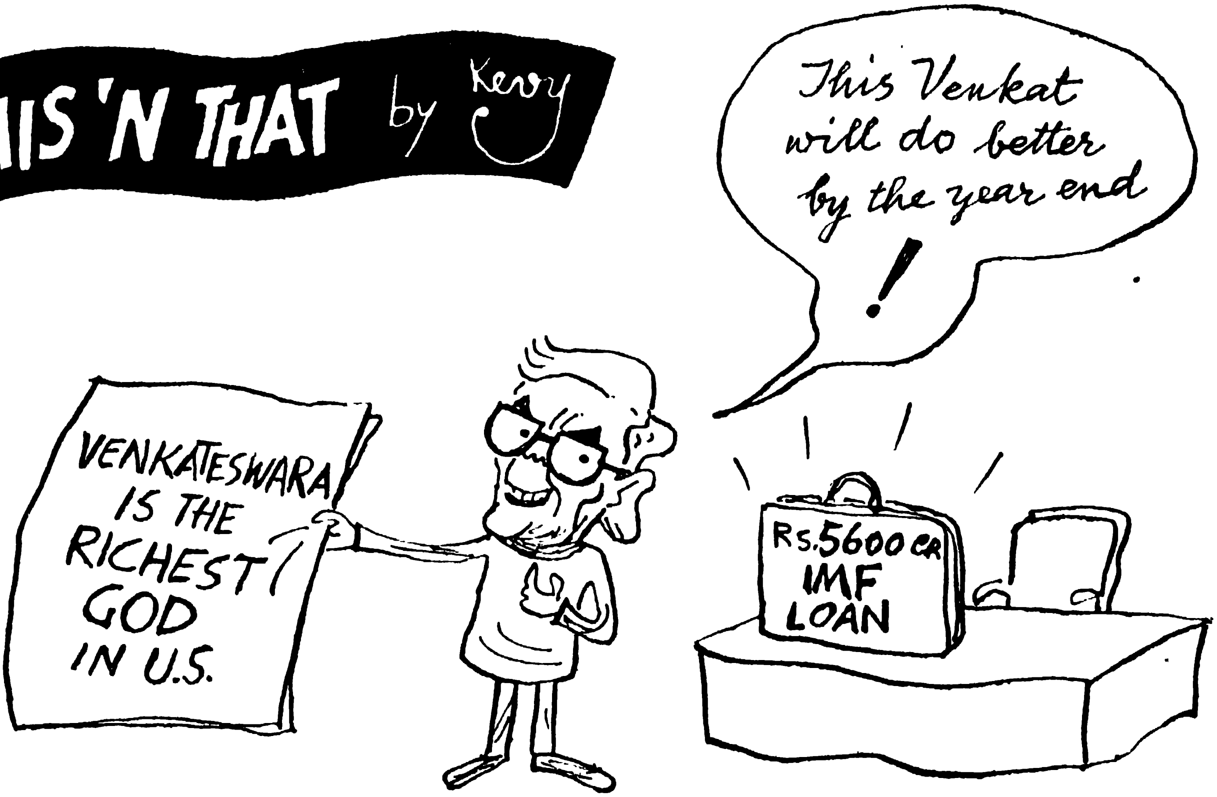
But will sugar production during the 1981-82 crushing season increase to 6.5 million tonnes? With a view to not only ensuring this level of output but also raising the yield to as much as seven million tonnes, the Union Government has continued the concessions for early and late crushing. An excise duty rebate of Rs 23.55 a quintal for free-sale sugar and Rs 15.70 a quintal for levy sugar has been announced already. The concessions for late crushing will be made known later, but no change from the past is envisaged for the time being. This is a helpful decision.

The same, however, cannot be said about the maintenance of the statutorily minimum price payable by mills for cane supplies at the last year's level of Rs 13 per quintal for 8.5 per cent recovery. This is a departure from the expert advice of the Agricultural Prices Commission, which had suggested a raise of Rs 2.5 in the statutory minimum cane price because of increased cultivation costs. Although some States in the north have asked the mills in their areas to pay between Rs 20 and Rs 23 a quintal for cane supplies to them, yet it remains to be seen whether the growers, who have got accustomed to much higher prices in the past two years, will be satisfied. Much depends on the competition to mills from the khandsari and gur manufacturers. Fortunately not only their prices but also the open market prices of sugar have come down recently despite the festival demand. This should suggest mitigation of the competition for cane from khandsari particularly. But the situation will have to be kept under constant vigil. The extra payment cost on cane account is to be met by the mills from the proceeds of free-sale sugar under the policy of partial decontrol re-introduced in December, 1979, after a short spell of complete decontrol.

The ratio of levy and free-sale sugar under the dual pricing policy during the ensuing season, of course, is not likely to be changed from 65 : 35, contrary to the expectations which came to be entertained a few days ago. The ex-factory price as well as the issue price of levy sugar, however, may be pushed up slightly to compensate the industry for increased production costs on such counts as higher interest charges, staff emoluments, etc. The new pricing policy is envisaged to be announced shortly. It is to take effect from November 15.

Two more steps are reported to have been decided upon by the Centre in regard to the sugar industry. The first is the building up of a buffer-stock of half a million tonnes from the current season's output. The second is the creation of a fund for the modernisation and rehabilitation of the sick and weak units. Both the measures are quite judicious from the long-term point of view. The modalities of building up the buffer-stock are yet to be finalised. The industry wants this stock to be held by the Government so that it may not have to incur unnecessary interest and storage charges. But this can be amicably sorted out. Care, of course, will have to be taken to see that the buffer-stocking operations do not hurt the consumer interest by keeping the free-sale prices unduly high in a year of record output. As regards the modernisation and rehabilitation of the weak and sick units, a development cess of five rupees per quintal of output is proposed to be levied, besides payment of a higher ex-factory price to such units to the tune of Rs 26 per quintal. It is to be hoped that the development cess will be utilised for the specific purpose. The story of the cess for cane development ought not be repeated.

THIS 'N THAT by Kevy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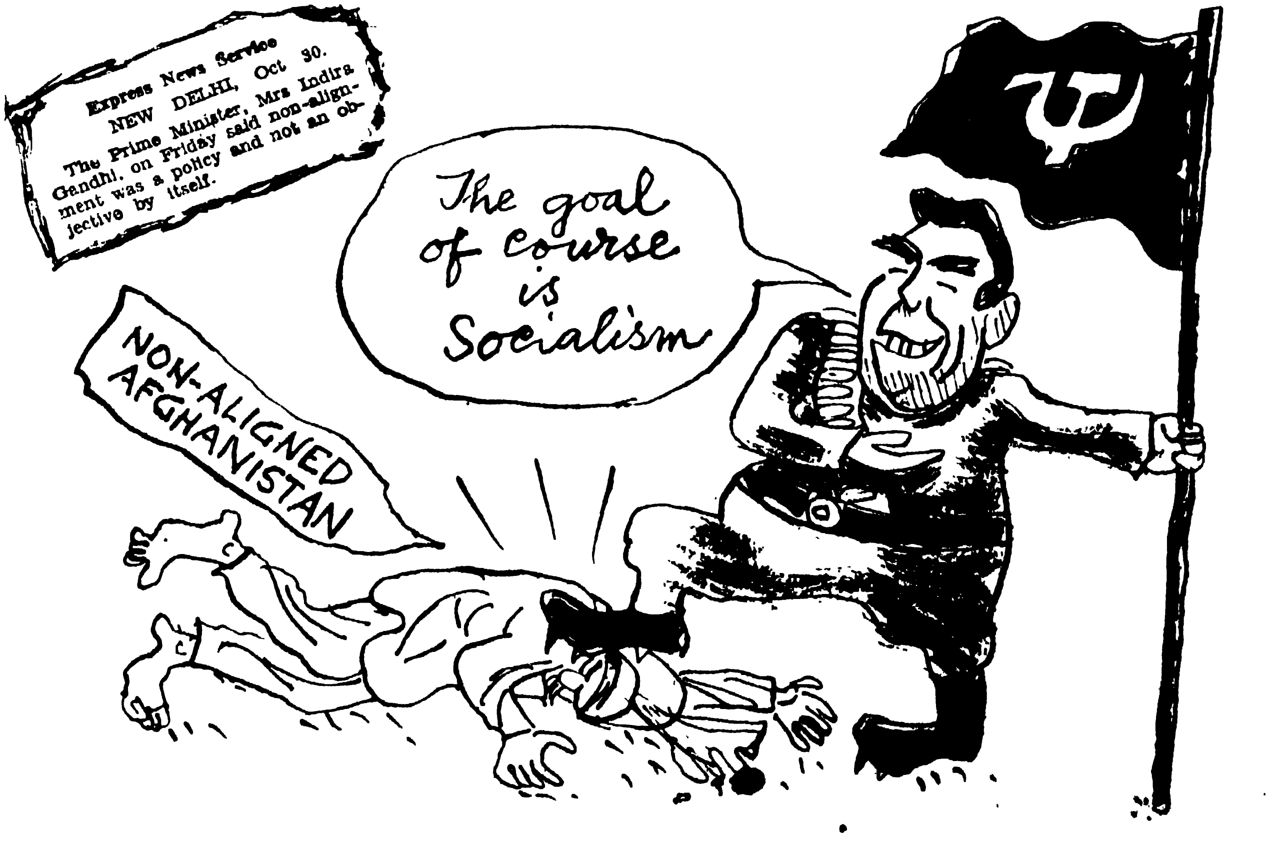
Express News Service
NEW DELHI, Oct 30.
The Prime Minister, Mrs Indira Gandhi, on Friday said non-alignment was a policy and not an objective by itself.

The goal of course is Socialism
NON-ALIGNED AFGHANISTAN

Dry Thoughts

I am resuming this column after a gap of eight weeks. Editors are sometimes accused of devoting all their attention to their own columns and ignoring the rest of the magazine. If I have not been guilty of this recently, it is mainly because I have been unwell. I keep getting exhausted for reasons that medical science has not yet been able to unravel. One day I must sketch a portrait of the artist as a prematurely old editor. But let me confess that it is not only ill-health that has kept me silent. I have also been away in the Prime Minister's plane to the sunny sands of Cancun, Mexico.

In my twenty-one months as Editor of *Eastern Economist*, there is no person I have lambasted as regularly as Mrs Indira Gandhi. She is not a person famous for taking criticism kindly. It therefore came as a surprise to me to be one of the five journalists invited to fly in her plane to Bucharest and Cancun. It was even more of a surprise to discover that the five had personally been selected by Mrs Gandhi out of a short-list. Could it be, I wondered, that she really respected dissent, and that I had been guilty of maligning her all these days? Alas, I found it impossible to substantiate such a radical thesis. I came to the gloomy conclusion that she simply did not read *Eastern Economist*, or did not care what it said and had selected me on the basis of my economic column in *The Hindustan Times*. Mrs Gandhi has never been the total autocrat that people like Mr Arun Shourie have painted her to be. She is quite willing to tolerate dissent provided it is in small doses or in obscure magazines. What she seriously objects to is Arun Shourie washing Antulay's dirty linen on the front page of the *Indian Express*. It is impossible to imagine her inviting Arun Shourie to cover one of her trips abroad. But it is a minor consolation that the likes of me have not been comprehensively blacklisted.

The plane was divided into three distinct areas. The front had been converted into a sealed lounge, where the Prime Minister and Sonia Gandhi enjoyed regal privacy. Next came the first class section, occupied by officials. At the back came sundry security guards, Air-India hangers-on and the journalists. But let it not be thought that we travelled steerage. We all got standard first class treatment—booze on the house, with smiling air-hostesses urging you to have yet another glass of champagne.

It was far from clear to me what Sonia Gandhi was doing on plane. She did not have any official status or function, and seemed to be enjoying a private holiday at public expense. Mrs Gandhi has institutionalised the practice of taking family members on foreign trips with her. Perhaps she can justify Sonia's presence as an official hostess (the kind of position Mrs Gandhi herself had under Pandit Jawaharlal Nehru). But how exactly does she explain the free ride given to her two grandchildren, Rahul and Priyanka, to Nairobi a few months ago? If politicians must have perks for their families, let it at least be regularised. Let us follow the British custom of Parliamentary grants for the royal family.

Nor was it clear to me why we Indian journalists were getting a free ride. The newspapers we represented were not penniless. It is worth mentioning that Mrs Margaret Thatcher, Prime Minister of Britain, also took a posse of British journalists on her plane. But she charged them £400 each, which was actually more than the cheapest commercial ticket. One justification for this was that she granted the British journalists the privilege of talking with her on board. Mrs Gandhi by contrast was uninterested in meeting us journalists. She has never liked the press, has not forgiven it for its abrasiveness during the Janata phase, and is not impressed by the new obsequiousness after her return to power.

The real reason for her giving a free trip to selected journalists is that this is the imperial style of the durbar. The dispensation of personal favours is of prime importance in this style, not the charging of commercial rates. She did not invite newspaper editors to send correspondents of their own choice—she nominated the precise individuals she wanted. The durbar system is no respector of organisations, and deals at the level of individuals instead. It is to the credit of the Editor of *The Times of India* that he refused to accept Mrs Gandhi's nominee, and sent his Washington correspondent at his own expense. How many newspapers are willing to sacrifice money in this fashion ? Certainly not *The Hindustan Times*, which chose me in preference to its Washington correspondent because my air passage was free.

I find I have said several nasty things about several people. But one person seems to have escaped scot-free, and it is time to tackle him. That person happens to be myself. I am guilty of criticising sin after enjoying the fruits of sin. I have revelled in the creature comforts of first class air travel at somebody else's expense, and am now revelling in slating those who made those luxuries possible. I have accepted a personal invitation from the durbar and am now lashing out at the durbari style of personal invitations. Oh, I can justify it all. I can say that I want to change the system, not just opt out of the system. But I cannot put out of my mind one of Laxman's immortal cartoons on a parallel theme. He showed a Governor in a palatial Raj Bhavan trying to explain to a reporter why he lived in such luxury. "Of course" said the Governor "socialism is applicable to us also. But we have promised it to the people, and must give it to them first.

Swaminathan S. Aiyar

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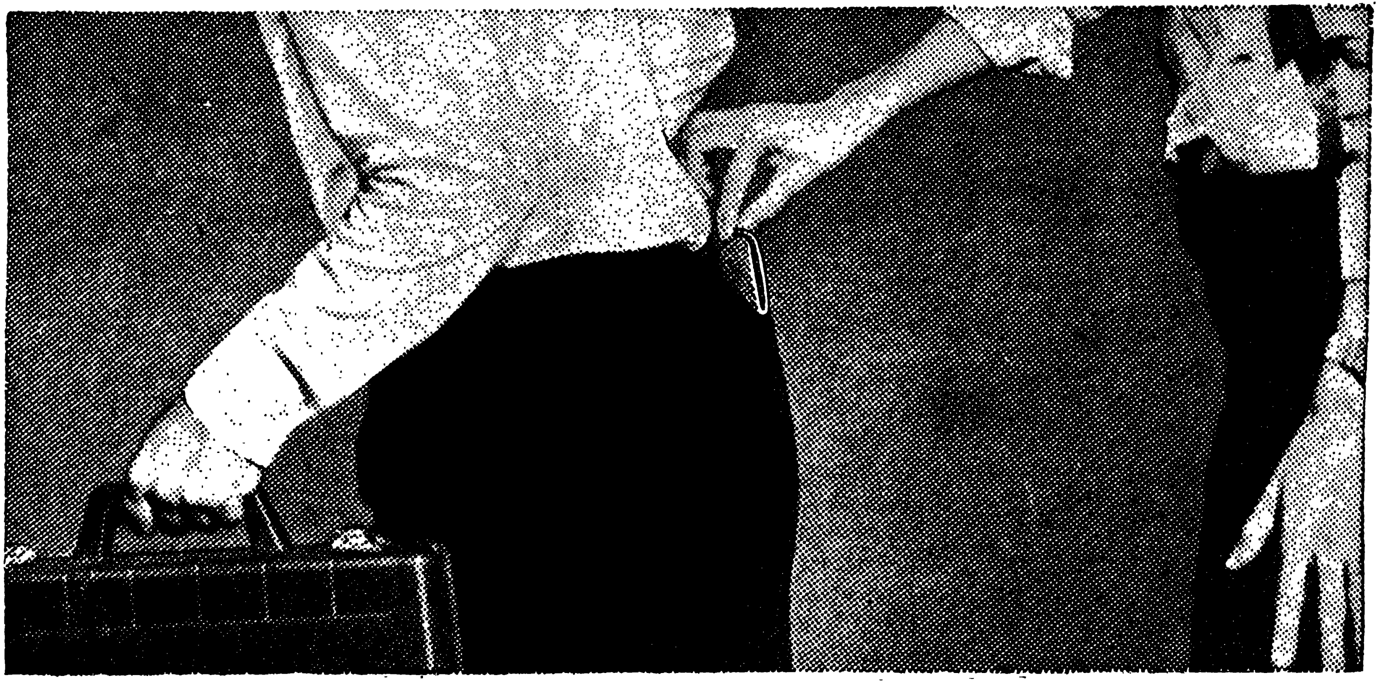

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Perspectives on Indian Tourism

S. N. Chib

MAN SINCE antiquity, has been an inveterate traveller. Only the motivations for travel have changed. In ancient times, the main motivations for travel were trade, pilgrimage and conquest. It is not often realised how extensive were the contacts among the peoples several thousand years ago. For instance, there was considerable interchange of ideas and knowledge between India and West Asia and the Greek civilization which was further strengthened by Alexander's conquest of the North-Western part of the Indian subcontinent. Trade with Central Asia and China was established over the famous Silk Route. There is no recorded history, but there must have been similar contacts with South-East Asia as well. How else the Ramayana epic and Sanskrit language could have had a lasting influence on the dance forms and languages of South-East Asian cultures and such magnificent Hindu temples as Borobudur and Prambanan in Central Java and Angkor Vat in Kampuchea been built ?

Dominant Motivation

Ashoka sent emissaries to Sri Lanka, Burma and South-East Asia for the spread of Buddhism. In fact, much of the knowledge about our special history in earlier periods is based on records left by visitors like Fa Hien and Hsuan Tsang, Ibn Batuta, Al Beruni and Marco Polo. Within India religion was the dominant motivation for travel. It was an ingenious concept to establish shrines in the four corners of India, Haridwar, Jagannath Puri, Dwarka and Rameshwaram so as to ensure travel throughout the country. Pilgrimage is still one of the most important reasons for travel in India.

The Renaissance aroused a new spirit of enquiry. Travel became the means of acquiring culture in Europe. Francis Bacon, one of the great representatives of the spirit of Renaissance epitomised travel thus : "Travel in the younger sort is a part of education; in the elder, a part of experience". The tradition of the Grand Tour, which started in the seventeenth century by the aristocracy of Europe was more firmly established in the eighteenth and the nineteenth centuries by tho emergence of an affluent mercantile class. Another by-product of the Renaissance was the spirit of adventure and discovery as the new motivations for travel. Columbus, Marco Polo, Vasco da Gama and Sir Francis Drake, to name a few, extended the horizons of the world. But until the First World War travel was still the privilege of a small segment of society.

The Leisure Class

One of the early sociologists, Thornstein Veblen, called it the leisure class in his classic work, "The Theory of the Leisure Class", publised in 1899. Probably this was the first time that leisure was linked with propensity to travel. The First World War had kept the people cabined and confined for four years. As a reaction, there was an outburst of travel in the inter-war years. This was the beginning of travel for pleasure and of the transformation of travel into tourism. The era of organisod tourism had started. Besides travel agencies, voluntary organisations and municipal councils started establishing holiday associations and travel bureaues. But so far surface transport was the means for travel.

After the Second World War Europe lay in ruins. The Marshal Plan which was introduced by the United States for the revival of the economics of European countries made tourism as one of its planks. It provided as much as 16 million dollars for the reconstruction of hotels and tourism infrastructure of Western Europe. What was more significant was that for the first time tourism was viewed as an engine for economic development. This made the Governments start assuming responsibility for the promotion of tourism. Official tourist organisations at the national level were established in most European countries. Considering the international character of tourism, the post-World War II years also saw the emergence of a number of international organisations concerned with travel and tourism. Among them were the International Union of Official Travel Organisation (IUOTO), now an inter-governmental United Nations agency called World Tourism Organisation (WTO), and International Air Transport Association (IATA). India was among the first developing countries to become a member of IUOTO in 1951 and Air-India joined IATA about the same time.

Three technological inventions have fueled the growth of travel on a large scale in successive periods. First, the steam engine which made travel by rail and steamship possible before 1914; then the internal combustion engine which popularised travel by automobile in the inter-war years and lastly, the jet propulsion engine which has led to the international tourist explosion of the post-World War II era. In 1951, there were 25 million tourist movements across the frontiers. In 1980, there were 285 million, yielding foreign exchange receipts of 92 billion dollars, excluding the cost of international air fares. Next to oil, international tourism has become the second largest industry in the world.

New Phenomenon

Apparently the Government of India also took note of the new phenomenon of tourism and its economic implications. It set up a small tourism branch in the Ministry of Transport in 1949 and in 1951 establisaed three field tourist offices in Bombay, Calcutta and Delhi. In 1955, the Estimates Committee recommended the setting up of a separate Department of Tourism which was established on March 1, 1957. In order to associate the State Governments, the national carriers and the travel industry with the development of tourism, an apex body, called The National Council of Tourism Development, was set up in 1958. Within a few years, the States started taking a keen interest in tourism. By now practically all the States and Union Territories have established Tourist Departments as well as public sector tourist corporations. Thus, in India, as also in almost all developing countries, organised tourism started from the top. Unlike Europe, the growth was not from the grassroots and later integrated at the national level.

Remarkable Enterprise

In 1947, the private sector consisted of a number of hotels and travel agencies in the main cities mainly owned and operated by foreign interests. As it happened in other industries after their independence, the control of many of these hotels passed into the hands of Indian entrepreneurs. At the same time, a number of new indigenously owned and operated travel agencies and hotels started being set up. In the last 25 years, the Indian travel industry has shown remarkable enterprise. At present, there are 363 Government approved hotels with 22,300 hotel rooms and more than a hundred travel agency offices. Some of the leading Indian hotel groups and travel agencies have branched out overseas and their performance is highly regarded in the international tourism markets.

While talking of the organised tourism it would not be out of place to relate a small anecdote. In 1959, the Prime Minister agreed to inaugurate the annual convention of the Travel Agents Association of India to be held in Mussoorie. According to the usual procedure, the Prime Minister was supplied with a speech, knowing fully well that Mr Nehru was not likely to use it. Panditji came to Mussorie and in his endearing manner said to the travel agents: "This is a free country and foreign visitors can go where they like. I don't understand why you travel agents are wanting to organise their trips and wrap them in cotton wool". Referring to his own innocent days, he said: "When I was a student in England, I roamed about Europe and never came across anyone from your ilk". It needs to be recalled that Mr Nehru graduated from Cambridge in 1910 and the passport was introduced for the first time in Europe in 1915 as a war-time measure. Before the First World War, there were no visas nor cumbersome immigration formalities that we now encounter while crossing frontiers.

The tourism revolution has not run its course. The present economic recession in industrialised countries has no doubt slowed down its growth rate, but not half as much as the decline in the growth of world trade. The volume of world trade increased by only 1.5 per cent in 1980, while that of international tourism by five per cent. International tourism has shown greater resilience against the escalation in fuel prices than world trade, thus increasing its share of world trade from five per cent to 6.5 per cent in the last decade. The rate of growth of real incomes in Europe and North America is at present slightly declining and would no doubt affect tourism's growth in the next few years. The unemployment rate in industrial countries, particularly Western Europe, is continuing to rise. In the ten countries of the European Community nine million adults or 8.3 per cent of the labour force have no regular jobs. But the present recession will ride out in a few years.

Optimistic View

I believe that in the long term, tourism's growth is irreversible. The debate is really about the future rate, of growth. In this connection, I would like to refer to the scenario called 'The Great Transition' presented by Herman Kahn, the well-known futurologist of the Hudson Institute, at the 26th International Chamber of Commerce Conference in 1979. He said mankind was in the middle of a 400 year transition from the poverty of the past to a potential future society of affluence and leisure. According to him, the world will move into a post-industrial society and tourism will be transformed from a tertiary to what he has defined as a quaternary industry. He envisaged that until the year 2030 tourism volume would double itself every 20 years and the developing countries will be the special beneficiaries of this growth. One need not agree with the highly optimistic forecasts of Herman Kahn, but even conservative estimates made by the Economist Intelligence Unit, a subsidiary of the *Economist* of London, and other research organisations only forsee the tourism growth curve somewhat flattening out but not taking a downward turn until the end of this century.

The Pattern

The pattern of world tourism is that 82 per cent of tourist movements are generated by seventeen countries; twelve countries of Western Europe, two of North America—the United States and Canada- -Mexico, Japan and Australia. The contribution by Saudi Arabia and the Gulf Area, which is considerable in the case of India, is only a .marginal factor in world tourism. The countries of Eastern Europe generate nearly 10 million tourists, but their movements are mostly an inter-change of visits among themselves. Five years ago, West Germany replaced the USA as the largest supplier of tourism to the world. Since then, year after year it has improved upon its position. While outbound tourism from America has been on the decline, German tourists' spending increased by 16 per cent last year, despite the recession. They spent 21 billion US dollars abroad, nearly 23 per cent of world tourist expenditure, as against only 10 billion dollars by the Americans. Next in line were the British with $6.5 billion, France with $6 billion and the Japanese with $4.5 billion.

There are several reasons for taking a long-term optimistic view of tourism. First, the increase in leisure time in industrialised societies, and paid holidays, which were introduced as a social welfare measure 50 years ago, have now become an accepted feature not only in industrialised countries but also in many developing countries. The length of paid holidays has increased from two weeks to four or five weeks a year. The working week, both in the public and private sectors, has come down to 40 hours or even less, spread over five days and in some cases 4½ days. The increase in non-working time is also linked with population growth. Evidently governments will have to concern themselves with the quality of use of leisure. Tourism has become a pre-eminent form of recreation for the younger people. This is reflected in the proportionate increase in travel in the age group of 18 to 25 years. The second factor is the rise in literacy and educational standards. Third, better health care has made it possible for retired persons above 60 years, to undertake travel for pleasure. The fourth reason is the increase in discretionary incomes in real terms in the last twenty years, partly due to two-income families with fewer children.

Income Elastic

Tourism is highly susceptible to income elasticity. Many research studies have established that a one per cent increase in income level in real terms results in 1.5 to 1.8 times increase in propensity for travel. Lastly, taking a vacation, generally twice a year, has become a way of life in industrial societies· A survey of a number of European countries made by World Tourism Organisation three years ago revealed that despite the escalation in price, only six per cent persons were willing to forego their annual vacations, as against a much larger number who expresed willingness to defer the purchase of a new automobile, a refrigerator or furniture, even new dresses. In other words, tourism enjoys the highest preference among industrial societies in the use of discretionary incomes. In fact, the use of leisure time has become a subject of research in consumer societies. Two years ago, when I was working as a member of a team of consultants for the preparatory work for the World Tourism Conference to be held in September 1980, I found that one other member of the team, Mr M. Alaluf, was a Professor of Leisure Time at the Free University of Brussels. He was investigating the relationship between leisure and tourism.

Considering the importance of modern tourism, it was necessary to have a universally accepted definition of the tourist. Since the economic aspects of international tourism assumed considerable importance, the United Nations definition, which is generally followed by all countries in compiling their tourist statistics, is not based on motivation but on the economic concept. "A tourist is a temporary visitor to a country other than the one in which he usually resides for any reasons other than following an occupation remunerated from within the country visited." It was further elaborated that the temporary period should not be less than 24 hours. There is considerable cross-border day traffic among neighbouring countries. Such visitors are defined as excursionists. India has accepted these definitions but with some reservations. For instance, visitors from Pakistan and Bangladesh, whose number currently is about three lakhs a year, are not included in the tourist statistics, even though Pakistan and Bangladesh count Indian visitors as tourists for statistical purposes. Indian visitors domiciled abroad holding foreign passports are counted as tourists but not those holding Indian passports even though their pattern of foreign currency expenditure is likely to be the same. Besides the basic criterion of the UN definition is residence, not nationality.

Pleasure Tourist

It has been argued that if pleasure and recreation have become the main motivations of present day tourism, then why should visitors whose main purpose is to conduct business, attend a conference or see relatives and friends be regarded as tourists ? The answer is that a business or conference visitors in his spare time usually behaves like a 'pleasure' tourist. He goes on sightseeing and shopping trips, visits night clubs and so on. The common denominator is the economic factor : is the visit being paid for in foreign currency or from within the country ? May be, part of the expenses of Pakistani and Bangladeshi visitors, as also of Indians domiciled abroad are paid for by their relatives and friends in India. One can assess their expenditure on that basis, but to ignore them altogether in the head-count is obviously not justified.

In 1951, there were 17,000 tourists who visited India. In 1980, the number had gone up to 800,150. To this total if we add visitors from Pakistan and Bangladesh, the total would go up to 1,101,637. As against this, nine Asian countries, which had not evinced much interest in tourism promotion and planning until 1960, have exceeded the one million mark, two of them more than two million. Inclusive of visitors from Pakistan and Bangladesh, India's share of international tourism in terms of arrivals works out to only 0.38 per cent. While the number of visitors is a test of the success or otherwise of our promotional and marketing strategies, in economic terms what matters is the volume of tourism and the foreign exchange receipts derived from it. The volume depends on the average length of stay which in the case of India is 25 days, one of the highest in the world.

Exchange Earner

It is estimated that in 1980 visitors to India spent between Rs 550 and 600 crores in foreign exchange, which is 0.75 per cent of 92 billion dollars at the 1980 exchange rate. Thus, our share in terms of receipts is twice as high as our share in arrivals. This also makes tourism the third largest foreign exchange earner for India, equivalent of nine per cent of our exports.

I do not wish to expatriate on the immense variety of attractions of India, both natural and man-made. A visit to India is still an Odyssey and generally has a profound impact. Another important attraction is that visitors find our people interesting and articulate in English which makes communication easy. In other words, we have an excellent product to sell. Why is it that the financial and foreign trade policy-makers of the country have never mentioned in their pronouncements tourism as a factor in the balance of payments ? I do not recall that tourism has ever figured in our trade negotiations with other countries. It is the transfer of wealth from the rich to the poor nations, that the interminable North-South dialogue is all about. Tourism is one of the painless methods of such transference because the customer, usually from a rich country, comes to your country to spend his money. The foreign exchange earnings of Rs 600 crores are not peanuts.

Tourism has as good a potential for growth as any other export industry. Besides it has several distinct advantages over other industries. It is not subject to protectionist measures that are increasingly being imposed by industrial countries on exports from developing countries. There is no likelihood in the foreseeable future of the seventeen countries which produce 82 per cent of world tourism of imposing any restrictions on travel abroad by their citizens. Lastly, tourism unlike manufacturing industries does not consume, or at any rate not substantially, the scarce resources of the country. The basic resources for tourism are our monuments and temples, our mountains and beaches, our museums and performing arts.

Low Priority

Yet in the successive five-year national Plans, the allocation for tourism has never exceeded one-fifth of one per cent. Interestingly enough, the Planning Commission introduces the chapter on tourism in the Sixth Five-Year Plan with the following statement :

"Tourism, both domestic and international, has rapidly won considerable recognition as an activity generating a number of social and economic benefits like promotion of national integration and international understanding, creation of employment opportunities, removal of regional imbalances, augmentation of foreign exchange earnings, thus redressing the balance of payments situation, etc. It is significant that many of these beneficial aspects of domestic and international tourism have special relevance to the socio-economic scene in India as emerging in the Sixth Plan period. Tourism also tends to give support to local handicrafts and cultural activities both in urban and rural areas. Expenditure by tourists has a multiplier effect and also generates considerable tax revenue for Government, both in the Central and State sectors. It is also relevant that the various multi-faceted socio-economic benefits of tourism are achieved with a relatively low level of investment."

But having put forward the case for tourism so convincingly, it goes on to provide a meagre outlay of Rs 187.46 crores for the five year period, 1980-85, under the Central and State sectors. This works out to precisely 0.18 per cent. In fact, in all the successive Five-Year Plans, the allocation or tourism has never exceeded one-fifth of one per cent. The budget for 1981-82 of the Department of Tourism, which covers the cost of publicity, overseas offices, administration and includes the annual plan allocation as well, is about Rs 9 crores, which is just 0.06 per cent of the national budget of Rs 15,830 crores. These figures speak for themselves. Of course, the tourism infrastructure consists of a number of elements under other heads as well. For instance, part of the money spent on upgrading the existing airports or building new ones, on purchase of new aircrafts for the Indian Airlines, the improvement of rail and road transport, building roads and public utilities indirectly helps tourism. This is a valid argument because tourism cannot be treated sui generis, a thing apart. Its infrastructure should be integrated with over all national development.

The Benefits

The Plan briefly refers to a number of benefits derived from tourism which need a fuller explanation. The concept of multiplier first put forward by Professor John Maynasd Keynea in his celebrated General Theory published in 1936 is applicable to other industries too. In the case of tourism, what it simply means is that every unit of tourist expenditure goes through several rounds of expenditure before it is absorbed in the economy. Let us assume that a tourist spends a thousand dollars on hotel accommodation, food and beverages, shopping entertainment, taxi hire and so on. This amount provides an income to the hotel staff, taxi owner, shopkeeper and suppliers of goods and services. They, in turn, spend part of this income on goods and services needed by them. The recipients of the second round once again spend it to meet their needs. How many rounds would take place would depend on the nature of the economy. It is like throwing a pebble in a pond which produces waves that travel as far as the impelling force carries them or the size of the pond permits. Thus, the tourist dollar percolates through many segments of the economy and should dispel the general impression that the main beneficiaries of tourism are a small group of entrepreneurs, hoteliers, travel agents and so on.

Import Content

If the import contents of the goods and services provided for tourists is fairly high, a considerable part of the initial injection of one thousand dollars would be expended on imports and correspondingly weaken the impact. Similarly, if the propensity to save in a community is fairly high, the number of rounds of expenditure will be correspondingly reduced. The imports for hotels constitute only 5-6 per cent of the total cost. But there are other items of foreign currency expenditure such as purchase of aircraft, equipment for airports, oil imports, part of which can be attributed to tourism. All these plus expenditure on publicity and promotion may add up to 10-12 per cent leakage of receipts from tourism. In a country of the size of India, it is not easy to estimate in precise terms the inputs of tourist expenditure in each sector of goods and services. But it could be safely assumed that the resultant multiplier would be close to three. In other words, an expenditure of Rs 650 crores in 1981 by tourists would result in a net contribution of Rs 580 crores to foreign exchange reserves which probably makes tourism the number one and not number three export industry. The gross export value of pearls and precious stones, etc., may be higher but rough precious stones worth Rs 300-400 crores are imported in the first place. Similarly the import content of manufacturing industries is also higher than that of tourism and would add something like Rs 1700 crores to the Gross National Output which at the current prices is estimated at Rs 125,000 crores.

The main tourist generating countries usually estimate the travel account by adjusting receipts from tourism against what their citizens spend on travel abroad. In spite of such large receipts from tourism, some of the European countries as well as the USA and Canada show large deficits in their travel accounts. Since there were severe restrictions on foreign travel, we have never published adjusted figures in our tourist statistics. Now that we have partially liberalised foreign travel, it would be of some interest to mention that in 1980 the Reserve Bank of India released Rs 65.26 crores for foreign travel on account of business, conferences, medical treatment, study tours and in addition issued 70,741 approvals under the Foreign Travel Scheme. It is not known how much of the approved amounts were actually utilised. But assuming that 90 per cent were, it would amount to Rs 77 crores, as against receipts of Rs 550-600 crores.

Additional Revenue

How much of the gross addition to gross output constitutes the revenue which accrues to the Central and State Governments and in some cases to municipal corporations and committees? Let me give a simple example: when a tourist hires a car to go to Agra and pays Rs 800, part of this is spent on petrol, oil and so on. The excise duty on petrol and oil is earned by the Government. Indirect taxes in the travel sector in 1978-79 for which data are available amounted to about 10 per cent. By now the level of indirect taxes has further risen and additionally there is an element of about 15-20 per cent of luxury taxes on gross hotel receipts. Of the total foreign exchange expenditure by tourists, nearby 45 per cent is spent in hotels.

It would be reasonable to assume that the tax element of the gross output of 17 crores is 15 per cent. What it means is that the Government is currently earning about Rs 255 crores as tax revenue from tourism. The annual budget for tourism and expenditure on infrastructure, including road construction, upgrading of airports, utilities and communications that can be attributed to tourism presumably, does not exceed this amount. The message to those who believe that tourism is a luxury that we cannot afford is that it is paying its way.

Tourism is generally regarded as labour-intensive. Some indication of the massive character of employment in the hotels and restaurant sector is available from the figures describing the distribution of employment in non-agricultural establishments of the Economic Census of 1977. The direct employment in this sector was estimated at 1.08 million. If we assume, which is likely, that employment in this sector has risen at the same rate as the overall rise in employment, which is 18 per cent, then direct employment in all the hotels and restaurants in the country in 1980 would be about 1.3 million, excluding the employment in the catering establishments of the railways. The other important sector consists of transport services, travel agancies, guides and foreign airlines operating in India. My estimate is that employment of about 250,000 persons in this sector can be attributed to tourism. Detailed estimates made in many countries show that indirect employment induced by tourism is generally higher than direct employment.

Employment Potential

Tourist demand creates employment in the construction industry and among suppliers of goods and services, right down to the village level. Certain estimates made by reputed economic research organisations show that tourism in India creates twice as much indirect employment as direct employment. As a conservative estimate, the tourism sector thus generates employment of 4½ million in the country. How many other sectors of the economy create more employment, I wonder?

As a by-product of tourism activity, the Sixth Plan also mentions the removal of regional imbalances by opening up new growth centres in the interior of the country. This indeed is the experience of many developing countries. Some of the great tourist attractions of India as well as of other Asian countries are located in places far removed from the present centres of commerce. Among them may be mentioned Khajuraho, Konark, Ajanta-Ellora, Halebid-Belur and Hampi in India, Mohenjodaro in Pakistan, Polonnaruwa and Sigiriya in Sri Lanka, Angkor Vat in Kampuchea and Borobudur in Indonesia. I would like to relate the case history of Khajuraho which illustrates how tourism can open up a new growth centre.

Thirty years ago not many people had heard of Khajuraho. I first came to realise its tourist potential when I saw a book called 'Sacre Inde' by a Swiss author in 1954. A year later I visited Khajuraho, travelling overnight to Jhansi, then by a branch line train which took five hours from Jhansi to Chattarpur, a distance of 56 miles, then by bus on a State highway, and finally seven miles by a tonga on an unmetalled (Kutcha) road leading to the temples. The journey from Delhi to Khajuraho took 24 hours. The temples stood in a sort of wilderness. For lack of water there were no grassy lawns or landscaping. There were just a few shops selling food, clothing material and bric-a-brac. There was a small dak bangalow meant for touring officials and its only source of water supply was a deep well. The cattle and pariah dogs who roamed freely around the temples and in the sleepy village seemed to outnumber the human beings.

Khajuraho Rediscovered

We then started planned development. The first problem was to build the seven miles stretch of road and make the temples accessible, and the second to instal a tube-well to provide water. The area around the temples is rocky and arid. The first attempt to dig a tube-well was a failure. We then asked the Geogogical Survey to identify spots likely to yield a constant supply of underground water. Despite this the next attempt also ended in failure. Somewhat sceptically I sought the advice of a water diviner who was recommended by some bright chap in the Planning Commission. His terms were : no fee but reimbursement of expenses if no water, but Rs 5000 plus expenses if water is found. This was not the type of contract I could sell to the finance officials. To cut the story short, the water diviner succeeded. Not one but two tubewells were dug, the road was built and dakota on hire started landing twice a week on an air strip at Panna, 30 miles away. A tourist guest house was built and tourist traffic started moving.

Today there are half-a-dozen hotels with prices ranging from Rs 25 to Rs 400, a thriving bazaar, two banks, post and telegraph offices and a daily Boeing-737 air service. Khajuraho supports a thousand families. A new master plan has been prepared by Madhya Pradesh Government for future development extending to twenty miles around the temples.

Public Sector Role

I am, however, not overly concerned that the public sector Plan allocations for tourism have been negligible. Tourism is essentially a tertiary industry which means that it provides services for travel. The concept that the public sector should attain commanding heights in the national economy envisaged in the Industrial Policy Resolution of 1956 is not quite applicable to tourism. It is not necessarily a function of the Government to provide these services, but in the developing countries the Governments have had to assume this responsibility, partially or wholly, depending on the economic structure of each country. Even though the tourist industry in India had an earlier start than in many Asian and Middle East countries, the private sector 20 years ago was not forthcoming to risk capital in opening up new areas. The Department of Tourism started building a large number of tourist bangalows in places off the beaten track, like Khajuraho, Mandu, Konark, Udaipur, Sanchi, Bodh Gaya, Mahabalipuram. But a Government department, whose main functions are promotional and regulotary, was not in a position to operate them. The same problem was also faced by the newly created tourist departments of State Governments.

A Tourism Review Committee, headed by Mr L.K. Jha, recommended in 1963 that the Government should enter the operational field in three areas : management of accommodation units, transport services specifically intended for tourists and production of publicity material of international standard. Thus came into being India Tourism Development Corporation (ITDC) and subsquently tourist development corporations in all the major States. The public sector's main role was intended to be developmental, but since in the long run, its performance is judged largely by profitability, the ITDC felt obliged to operate enterprises in large cities as well. The public sector both at the Centre and in the States is performing a useful dual role, developing new areas and offering healthy competition to private enterprise. But the situation has radically changed in the last 15 years. The private sector is no longer shy of opening up new areas. The public sector has come to stay but its expansion is likely to be restricted by financial constraints. After all, the allocation for the ITDC in the Sixth Plan is only Rs 42 crores and for the rest it has to find resources in the same way as the private sector.

While all manner of incentives in the form of tax exemptions, drawbacks on custom duties, investment allowances and even cash subsidies amounting to Rs 200 to 300 crores a year, have been given to what are classified as export industries, tourist enterprises such as hotels, which are capital-intensive, have been granted concessions to a much lesser degree. Travel agencies are not given any concessions whatsoever. Hotels operate 24 hours of the days, seven days of the week, and are very heavy consumers of electricity. They have to pay commercial rates for power supply that are three to four times more than the rates charged from industries. On top of this, several State Governments and the Central Government have levied luxury taxes, not only on the room tariff but on the gross sales of hotels. A tax on gross sales is almost unprecedented in any country which professess to be interested in promoting tourism. This attitude is based on the perception that tourism is a luxury trade and not an industry which serves a social purpose. Hence it is not classified as an industry under any rules governing direct or indirect taxes.

One of the major impediments to the construction of hotels at reasonable costs is that suitable sites at reasouable costs have not been earmarked. A hotel is not like a factory which would be, in fact should be, located on the periphery of a city It is the centre of a great deal of social and business activities. It should be preferably close to shopping centres and airline and travel agency offices. As a long-term economic policy, incentives and subsidies are of questionable value. They tend to mask inefficient management and performance. But within the national economic framework investment would tend to flow to industries which enjoy incentives and consequently are likely to be more profitable. My plea is that either the support measures for the so-called export industries should be withdrawn or the same level of incentives should be given to tourist enterprises as well.

(To be concluded)

(Excerpts from Sardar Patel Memorial Lecture, 1981)

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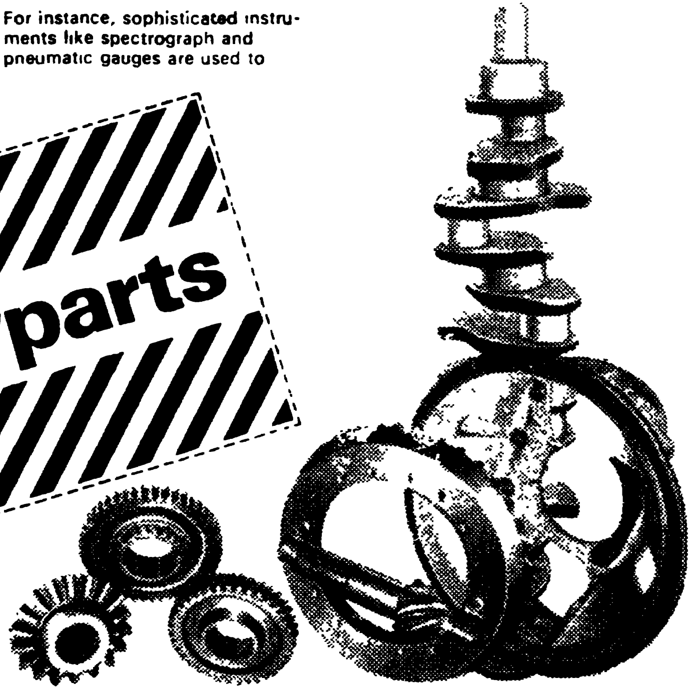

Economic Analysis

Technology Transfers: A Southern Perspective—I

Viren J. Shah

Fitzgerald: You know, Ernest, the rich are different from us.

Hemingway: Yes, the rich have money.

Or so the celebrated exchange went. Scott Fitzgerald and Ernest Hemingway were of course speaking about individuals, not nations. They did not serve, as we know, on the Brandt Commission. Nor did they participate in the 'dialogue of the deaf', that is now growing louder by the day, between the affluent North and the impoverished South. Nor indeed was the neat hemispherical world-view implicit in this 'dialogue' prevalent in their time.

If I were to use just one word to characterise the quintessential difference between the rich nations and the poor, the North and the South, I would unhesitatingly use the word 'technology'. Any serious inquiry into the nature and causes of the wealth of nations should lead, in our time, to the question of acquisition and management not of money, but of technological assets.

The emerging forces of technology are transforming the very foundations of the world economy by undermining the traditional bases of the international division of labour. The new technologies seek to substitute not only the human muscle but also human intelligence; they offer us not only robots but micro-processors as well. Comparative cost advantages based on abundance of labour and low labour costs are no longer a secure foundation for the countries in the South to build their future on. Every major industry in Japan today is in fact a triumphant refutation of the traditional theories of industrial location and of international trade based on comparative costs.

These countries must come to terms with the basic fact that technology offers them the only means to break out of their stagnation and the fact that, despite the rich legacy of social thought, both in the North and in the South, there is, as of now, no viable popularly acceptable alternative to the technological society as an answer to man's escalating needs

The developed countries of today did not, each of them by themselves, originate the bulk of the technology they employed in their "take off" phase or in the later phase of their "drive to maturity".

That these countries have been, in their own time, the recipients of massive doses of imported know-how is a fact of no mean significance. What follows is a brief exercise in historical recollection in respect of the three most developed economies of the world today.

The growth of the US economy depended, for good measure, on the industrial and commercial exploitation of the results of the basic research done in Europe. Says Edward P. Denison: "...in the 1950's, a period when American technological leadership was at its peak, more than half of the new knowledge that affected economic growth in the United States was of foreign origin". ('Source of Economic Growth in the US'). There is no need to labour this point in the case of the US but it would be instructive to dwell on the Soviet and Japanese experience in some detail.

The role of foreign collaboration in Soviet economic development is perhaps not widely known but it has been crucial. Lenin's pronouncements on the subject and the reports of the repeated efforts he made, often with astonishing success, to woo foreign capital and technology into the USSR would surprise many of us today; but they make compelling reading. Lenin said: "We must take the entire culture which capitalism left behind and build socialism with it. We must take all its science, technology, knowledge, art. Without these we shall be unable to build a communist society". ('The Achievements and Difficulties of the Soviet Government', Collected Works, Vol. 29). As far back as November 1919, he remarked in an interview with an American newsman:

"We are decidedly for an economic understanding with America—with all countries but especially with America". In another American press interview in February 1920, he said: "Some American manufacturers appear to have begun to realise that making money in Russia is wiser than making war against Russia, which is a good sign. We shall need American manufactures. . .more than those of any other country... I know of no reason why a socialistic commonwealth like ours cannot do business indefinitely with capitalistic countries".

The American contribution to

Soviet agriculture is again a little-known fact. Says Soviet author Shershnev: "According to some estimates, within the first few months of 1921 alone tens of thousands of people came to Soviet Russia from the United States. They brought along their several tools, overalls and provisions. Sometimes they joined in small production teams, cartels. Therefore, the first experiments of Soviet Government in this field was to set up agricultural communes with the participation of American specialists in some districts of Russia. These communes graphically demonstrated to peasants advantages of large-scale mechanised farming. The Presidium of the All-Russia Central Executive Committee recognised the number of farms managed by Americans as exemplary.

Expressing his profound gratitude for what was under the circumstances timely and important aid rendered by American societies for technical assistance to friendship with Soviet Russia, Lenin said: '...of all the forms of aid, the aid to our agriculture and improvement of its technical methods is the most important and valuable for us'. ('On the Principle of Mutual Advantage—Soviet American Economic Relations', Moscow, 1978). Shershnev quotes again from a letter Lenin wrote to a visiting American mechanical engineer: "We are in a very difficult situation, but for our guests (we have too few foreign guests) we can find everything they need".

Here are some more specifics from Shershnev. A group of American mechanics who arrived from the USA in January 1921 took over under a lease the idle AMO motor works which soon began repairing motor vehicles and later started manufacturing new vehicles. A group of American miners took part in the restoration of the Donbas coal mines and in building apartment houses. The Amalgamated Garment Industry Workers' Union of America helped to commission the first mechanized garment factory of the 'MOSKOSHVEI' trust in Moscow in 1921. Five hundred American workers, technicians and engineers operating jointly with Soviet workers took part in the establishment and activities of the 'Autonomous Industrial Colony Kuzbas' and thus laid the foundation for the industrial development of a major economic region in the Soviet Union.

By 1930, over 40 of the biggest American firms including Ford Motors, General Electric, Radio Corporation of America, Du Pont de Nemours, McCormick Co, Seiberling Rubber Co, Hercules Motors and others had signed technical cooperation agreements with the Soviet Union covering such fields as hydro-electric projects, steel works, tractor works and automobiles. Cooperation between the two countries suffered a set-back in the early Fifties due to the cold war but was resumed later.

The Japanese experience should be considered a most significant element in any global perspective on the question of technology transfer. "A major theme of Japanese economic history is the gradual development of the capability to borrow technology and to absorb more and more advanced production methods, along with an active role for the Government in the process". (Chapter Eight, 'Technology' by Merton J. Peck, with collaboration of Shuji Tamura in 'Asia's New Giant: How the Japanese Economy Works', Ed. Hugh Patrick and Resovsky, Brookings Institution, 1976).

The Japanese National Commission for UNESCO, after comparing the expenditure incurred by nine developed countries including the US, the USSR, the UK and France, as well as Italy, Belgium and Norway observed that Japan held "the lowest position as regards average expenditure per individual research worker" and that —"Percentagewise, the gap between Japan and the United States was largest around 1955, with Japan's expenditure being only about 0.025 of the United States". The Commission further stated: "In view of the above significant difference between the research expenditure habits of Japan and other countries, the question might well be asked, how is it that Japan's industrialisation has been so rapidly and successfully achieved? The answer is that since early in the Meiji era, the major portion of the research effort has been devoted to the rapid assimilation and development of techniques introduced from overseas". In a study of the various science-based technological developments introduced into Japan, the Commission found that out of 417 cases of new technology only 67 were contributed by Japanese inventions.

The three countries mentioned above —the US, the USSR and Japan have continued to absorb transferred know-how over the years; the in flows of technology into these countries have in fact only broadened and deepened. But what of the South?

The need for large scale transfers of technology from the North to the South is obvious. But its urgency needs to be appreciated in the context of the relevant facts The facts in matters of this kind however are nearly always larger than the figures in which they are presented, for the figures seldom reveal the qualitative dimensions. Even so, the figures tell us the essential truth. In any case, they are all that we now have. Consider then, these figures:

*The Third World has half the world's population.

*It covers half the world's area.

*It supports eight hundred million destitutes.

*Four large countries of Asia—Bangladesh, India, Indonesia and Pakistan contain nearly 2/3 of the world's poor.

*No firm estimates exist of the hungry and the under-nourished but available evidence suggests that they may number more than 1/5 of the Third World's population or 500 million to one billion.

*There are countries in Africa where one child in four does not survive until its first birthday.

*Blindness affects 30 to 40 million people in the Third World and threatens tens of millions in different ways.

*Fifty per cent or more of the total production of the Third World countries comes from agriculture.

As against these, consider the following:

*The Third World supplies about 90 per cent of all oil exports and 1/3 of the world's needs in non-fuel ores and minerals.

And these:

*The programme of the World Health Organisation (WHO) to abolish Malaria is estimated to cost eventually $450 billion. This amount is one-thousandth of the world's annual military spending.

*The cost of a 10-year programme to provide for essential food and health needs in developing countries is less than half of one year's military spending. Barely one per cent of spending on research and development in the North is specifically concerned with the problems of the South, whereas 51 per cent is devoted to defence, atomic and space research.

*The North's sales of conventional weapons to the South which are on the increase, represent 70 per cent of all arms export.

*Seventy per cent of the arms imports to the Third World in 1978 were from the USA ($5.8 billion) and the USSR ($4 billion), with France (2 billion), the United Kingdom ($660 million) and Italy ($620 million) being the other leading suppliers. (All the values are in 1975 US dollars).

*One American uses as much commercial energy as two Germans, three Swiss or Japanese, six Yugoslavs, nine Mexicans or Cubans, 16 Chinese, 19 Malaysians, 53 Indians or Indonesians, 109 Sri Lankans, 38 Malians or 102 Nepalis.

*All the fuel used by the Third World for all purposes, is only slightly more than the amount of gasoline the North burns to move its automobiles.

*The developing countries import only about 10 per cent of all traded oil.

*Almost all advanced technology originates in and is developed by the North. The North accounts for about 96 per cent of the world's spending on research and development.

*Nearly all of the world's patents are registered in the industrial States and most of them are in the hands of transnational corporations.

*Most patents granted by developing countries are to foreigners, and studies show, that they are not used for production in these countries and that they have the effect of creating import monopolies.

The data given above have been gleaned for the most part, from the report of the Independent Commission on International Development Issues (the 'Brandt Report'), where they lay embedded in a text of many chapters.

The statistical profile drawn above dramatises the urgency for broadening and deepening the flow of technology into the South in a way no verbal statement probably can. What impedes the flow? Technology transfers are essentially a communication process that can be hampered or distorted by the presence of intervening filters. Such filters exist both in the 'transferor' and in the 'transferee' countries. In order to manipulate them and to alter the ways in which they operate, we need in the first place to understand the nature of these filters. Only a few major ones are taken up here for comment.

(To be concluded)

(Invited paper presented by Viren J. Shah, former MP and Chairman, Mukand Iron and Steel Works Ltd, Bombay, at the Menlo Group Special Event (SRI International) San Francisco, California in September 1981).

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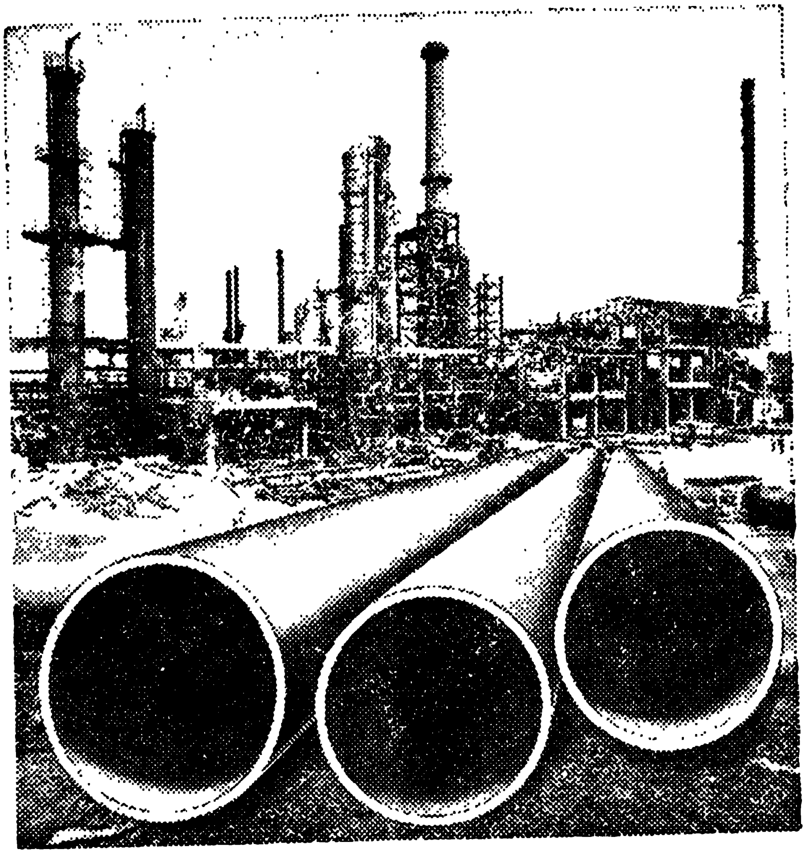

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Foodgrains Estimates for 1980-81

EVEN THOUGH the development efforts of the past 30 years have insulated Indian agriculture against the vagaries of weather to no small extent, yet, by and large, it continues to be a gamble in rain. This is because the impact of rainfall is enormous particularly on the kharif crops, which in so far as foodgrains are concerned account for nearly two-thirds of production. Adequate and timely rains at the rabi sowing and maturity stages too can make a material difference in the output. The rebounding of foodgrains production in the 1980-81 agricultural year from the level of the previous year, when serious drought had brought it down precipitately, of course, is not surprising. The rainfall last year was near-normal in most parts of the country.

Target Missed

The final estimates for 1980-81 put the total foodgrains production at 129.87 million tonnes. This falls short of the expectation of "surpassing the record level of 132 million tonnes reached in 1978-79" by over three million tonnes. The output of rice has been placed at 53.23 million tonnes, as against the anticipated level of 56 million tonnes or more. Wheat production has been estimated at 36.46 million tonnes. It was originally expected to be "close to the record level of 1978-79 (35.508 million tonnes) and possibly higher". Coarse grains, which include jowar, bajra, maize, ragi, small millets and barley, were produced to an aggregate of 29.01 million tonnes, not much different from the expectation. The output of pulses was of the order of 11.17 million tonnes.

The above production figures compare very favourably with the latest revised estimates for 1979-80 which (in million tonnes) are: rice 42.33, wheat 31.83, coarse grains 26.97, pulses 8.57; total 109.70. The revised estimates for 1979-80 are marginally higher than the original estimates which (in million tonnes) were: rice 42.19, wheat 31.56, coarse grains 26.73, pulses 8.37; total 108.85. In comparison with 1978-79, the year of record foodgrains output, rice production last year was lower by 0.54 million tonnes, but that of wheat was higher by 0.95 million tonnes. The yield of coarse grains fell short by 1.43 million tonnes ahd that of pulses by 1.01 million tonnes.

Revised Estimates

Possibly, the revised estimates for the rice, coarse grains and pulses crops in 1980-81 will be marginally better than the above-mentioned figures. But it is highly improbable that the same will be the case with wheat. In fact, the estimate of wheat production appears to be exaggerated. According to the own admission of the Union Ministry of Agriculture, the weather conditions during the 1980-81 rabi season were not fully conducive to increase in production. The gram crop in Haryana and Rajasthan, for instance, is stated to have suffered from drought and other unfavourable weather conditions, while wheat in Punjab is said to have suffered damage from heavy rains and hailstorm in the second fortnight of March. The crop year 1980-81, it is pointed out, was characterised by unfavourable weather conditions both during the kharif and rabi seasons in several regions of the country. Significantly enough, no reference has been made in the official release on the last year's crop estimates to the "Karnal bunt" disease the impact of which in Punjab was exceptionally severe.

Further, only 6.5 million tonnes wheat procurement during the 1980-81 rabi season is suggestive of the wheat output estimate being on the high side. No doubt, the farmers might have held back part of their produce on expectations of higher open market prices in the lean season and also the depleted trade channels had to be replenished (consequently the traders made larger purchases than normal), yet it does not stand to reason why procurement should have been so low, especially when a production of 31.83 million tonnes in 1979-80 had enabled 5.5 million tonnes to be procured and a harvest of 35.508 million tonnes in 1978-79 had yielded about eight million tonnes to the central stock. The total procurement out of the last year's wheat crop may go up to about seven million tonnes, but still it will not be adequate on the basis of 36.46 million tonnes estimated production when the output of coarse grains too had improved substantially over the previous year's.

It appears the farm production statistics continue to depend overwhelmingly on the whims of the Patwari, although some efforts have been made in the recent years to improve them through such methods as crop cutting experiments, co-relating of the use of inputs like fertilisers, improved seeds and pesticides to the yield. The output estimates apparently need to be made much more scientific than is the case at present.

APC Recommendation on Wheat

IT REMAINS to be seen whether the Union Ministry of Agriculture will again depart from the recommendations of the Agricultural Prices Commission (APC) in fixing the procurement price of wheat for the next rabi season as it did last year. Yet this price is to be raised substantially for the second year in succession. It had been stepped up in the earlier three years as well, but only moderately. The price for the releases of the commodity from the central stock should as well go up correspondingly if the burden of the food subsidy on the central exchequer, which is around Rs 650 crores a year currently, is not to be allowed to grow abnormally.

The APC had originally suggested a procurement price of Rs 117 per quintal last year, which was later on revised by it to Rs 127, consequent upon the raising in January of the prices of petroleum products. The Government had further scaled up the price by another Rs 3 and fixed it at Rs 130 a quintal. In its report this year, the APC has recommended the price to be increased further to as much as Rs 142, besides expressing the view that the administered prices of fertilisers, diesel oil and pesticides should be kept under control.

Determining Factors

The farming community obviously has to be compensated for the escalations in production costs as well as for such other factors as deterioration in the terms of trade to its disadvantage. But surely the interests of consumers cannot be completely ignored, especially when the agricultural sector is made available various other incentives and concessions. The APC apparently has been guided in making this year's recommendations primarily by the interest of the producers. Consumer's interest, it probably feels, will be served indirectly by an increase in wheat production and procurement. The increased price has been recommended "keeping in view the contours of the economy and considering the costs of production, transportation charges, movement in the terms of trade between agriculture and non-agriculture sectors and the urgency to balance the supply and demand by stepping up wheat production and procurement".

Although the suggested procurement price is substantially lower than Rs 160/164 as demanded by the major wheat producing States of Punjab, Haryana and Uttar Pradesh, yet it is significantly more than the average cost of production assessed around Rs 124.88 for UP and Punjab.

There can be no two opinions on maximising wheat procurement in the next rabi season for the stocks with the Government have depleted fast during the last two years. The total availability of wheat with the Government this year is expected to be no more than 11.1 million tonnes—3.1 million tonnes opening stock, 6.5 million tonnes procurement and 1.5 million tonnes imports. Assessing the off-take around 6.6 million tonnes, the stock at the end of March next, it has been stressed, will a be just around 4.5 million tonnes, insufficient to create a psychology of plenty so necessary to curb speculative tendencies.

But can an increase of Rs 12 a quintal in the procurement price alone help enlarge procurement when the trade knows about the limited stocks with the Government? Extremely doubtful. What is needed is the stepping up of production particularly in areas where the yield is low. The successive large increases in the procurement price, though they provide some incentive to the farming community, are not the sole means of securing increase in output. In a sense, the APC itself recognises this when it says that the problem of better procurement of wheat and its price stabilisation lies in expanding production through improvement in productivity and expansion of area under cultivation especially in the Eastern States where such potential exists. This observation has been repeated in the APC reports for some years now, but no concerted efforts appear to have been made in this direction. Nor have procurement operations of the Food Corporation of India been expanded adequately to the wheat-producing States other than Punjab, Haryana and Western Uttar Pradesh.

Plea for Productivity

In this year's report, the APC has suggested that the productivity level in East India, which is far below the potential because of late transplanting of paddy leading to late sowing of wheat and slow adoption of methods of production and practices associated with the paddy-wheat system of farming, can be increased substantially by advancing the sowing of community nurseries and early transplanting of paddy so that land can be released for timely wheat sowings.

Another significant suggestion made for raising the output of wheat is the undertaking of a micro level analysis to determine the factors responsible for inadequate increase in output even though the area under the high-yelding varieties has been progressively going up. It has been stressed that instead of concentrating on a few varieties, research and development emphasis should shift to variety diversification suited to the environmental conditions of different regions. High priority should also be accorded to multiplication of such high-yielding varieties of seeds as are resistant to the new races of rust and Karnal bunt.

Import without Injury

THE RECENT decision of the Government of the United States relating to the levy of subsidies and countervailing duties should help to give more opportunities to the expansion and diversification of India's exports to that country. Washington has agreed to recognise India as a signatory to the Agreement on Interpretation and Application of Articles VI, XVI, and XXIII of the GATT relating to subsidies and countervailing duties; and so, in future the US Government will have to prove, in addition to the subsidy test, that the imports of the items concerned do cause substantial injury or threat thereof, to the indigenous industry before resorting to such restrictive measures.

India had taken up this issue on several occasions with the authorities in the USA, pointing out that the resort to these devices was grossly unfair and was preventing Indian products from entering into the US market even though there was no evidence to prove that these were harming the local industry. This issue was also raised by the Indian delegation at the sixth meeting of the Indo-US Joint Business Council held in Washington in June this year. The representatives of the Indian industry mentioned specific instances where the imports of our goods had been shut out by the frequent resort to the imposition of countervailing duties, anti-dumping regulations, quotas, and in other ways and strongly urged that the US should refrain from such practices in order to pave the way for promoting the trade between the two countries. It is therefore encouraging to find that the US Government has now realised the harm it was doing by unfairly preventing imports from our country and has agreed not to impose curbs except when there is clear evidence to show that the interests of the indigenous industry are adversely affected.

The USA has been a major trade partner, accounting for about 12 per cent of our total exports. The value of our exports to the USA increased steadily from Rs 5199 million in 1975-76 to Rs 8088 million in 1979-80 while imports from that country fell from Rs 12,852 million to Rs 8698 million. India's share in the total imports of the USA however has declined from 2.65 per cent in 1951 to about 0.5 per cent at present. Our major exports to the USA have consisted of such items as jute goods, marine products, coffee, tea and spices. In recent years, non-traditional products like engineering goods have made some headway. But the exports of some of them had been affected by the levy of countervailing duties in an arbitrary manner.

R. J. Venkateswaran writes from Calcutta

For example, the export of industrial fasteners suffered because the USA levied a countervailing duty of 18 per cent on the ground that the entire cash compensation support of 17.5 per cent, offered by the Government of India, amounted to subsidy along with other incentives like packing credit and income-tax benefits. Similarly, countervailing duties varying from 12.9 per cent to 16.8 per cent of the f.o.b. value were imposed on the import of public works castings including man-hole covers. It is therefore expected that the latest decision of the US Government will help to give a fillip to the export of these and other kinds of engineering goods.

The Chairman of the Engineering Export Promotion Council, Mr G.D. Shah, in a statement issued on October 23, welcomed this gesture of Washington and pointed out that the decision to apply both the subsidy and the injury tests to future exports to the USA "would go a long way in removing the sense of fear and uncertainty which were nagging the Indian exporters to the United States". He revealed that the exports of engineering goods to the USA in 1980-81 were of the order of Rs 65 crores which was "a very meagre share" for India in that country's total imports. Mr Shah added that if an injury test was made on the import of Indian engineering items into the USA, it would not be possible to prove that the latter's domestic industry was in any way being hurt.

While appreciating Washington's move towards a liberal approach, New Delhi should continue to maintain a vigilant watch on our export trends and see to it that they are not affected because of import restrictions in some other form. The Indian Embassy in Washington should ensure that the US Government implements sincerely its decision regarding subsidy and countervailing duties. Meanwhile, the Engineering Export Promotion Council should give greater attention to the US market and effectively utilise the vast opportunities available there for the export of various kinds of engineering goods.

Banks and Bandits

THE NUMBER of bank dacoities in West Bengal has shown an alarming increase in recent months but so far neither the management of banks nor the police have taken effective steps to prevent such incidents. Only one bank dacoity took place in 1979. But in 1980 and till September this year, there were 24 dacoities, involving a total amount of Rs 57 lakhs. According to a report in the *Statesman* of October 21, the biggest sum robbed was Rs 8.18 lakhs from a bank in Durgapur. About Rs 7.9 lakhs were taken away from one bank in Nagarukra in Nadia and an equal amount from a bank in Gariahat in Calcutta. The sums looted from other banks have also been substantial exceeding Rs 1 lakh in each case.

What were the motives of these dacoities? Were they committed by young men just to get rich quickly or were they instigated with some other aims? Have the prospects of the coming elections to the Assembly anything to do with these incidents? Whatever might have been the real reasons, it is indeed surprising that the problem is not being tackled with the urgency and seriousness it deserves. The management of banks is said to be reluctant to spend money on strengthening the security arrangements. The fact that the money in the banks is insured seems to have created complacency.

Lame Excuses

The police do not seem to have achived much success in catching the culprits in most cases. The *Statesman* said in its report mentioned above, that the police considered recovery of the looted money and making arrests to be "a time-consuming process," that in some cases the suspected criminals had committed similar offences while on bail, and that this was one of the reasons for recurring bank dacoities. Moreover, some dacoits flee into other States after looting the money. But do these explanations carry conviction? The detection of serious crimes is always a tough job involving a great deal of time and effort. But it is in preventing such crimes that the police should rise to the occasion and show their skill and strength.

The Government of West Bengal should not look upon bank robberies merely as a law and order problem. It is, in fact, much more than that. Apart from hurting the image of West Bengal, such incidents occurring so frequently do great damage to the spread of banking activity in the State. West Bengal plays a crucial role in the country's economic development but banking facilities in the State continue to be too meagre as compared to other States. As on June 30, 1980, the number of bank offices in West Bengal was only 2040 compared to 3320 in Maharashtra, 2814 in Tamil Nadu, 2636 in Karnataka, 2477 in Andhra Pradesh and 2191 in Kerala. Moreover, most of the bank offices in West Bengal are concentrated in Calcutta and 24 Parganas, and the other districts have few of them. Cooch-Bihar had only 34 bank offices, Malda 38 and West Dinajpur 37 as on June 30, 1980.

Dr. Ashok Mitra had often severely criticised the nationalised banks for neglecting the development of West Bengal. He has quoted facts and figures to show how these banks have been deliberately discriminating against this State in providing the necessary facilities for the poorer sections of the population to improve their living standards. But how does the Government of West Bengal expect the banks to expand their activities in the districts with enthusiasm when there is so much insecurity? Bank officers are generally reluctant to serve in the districts because of the lack of facilities relating to housing, health, education, communication and so on. In addition to these handicaps, the officers now have also to face the prospect of dacoities. The Government of West Bengal and the bank management therefore should take a serious view of the spurt in such crimes and adopt deterrent steps to check them. Bank employees of all categories should also extend their sincere cooperation in strengthening the security arrangements.

Iron Ore for Romania

INDIA IS to export five million tonnes of iron ore to Romania. This makes Romania the second largest buyer aftter Japan of iron ore from India. The deal will fetch Rs 70 crores.

This is a welcome development because of the current slump in the world steel industry had made the outlook for Indian ore export very bleak. This deal will also enable MMTC, the canalising agency, to achieve its target of 16 million tonnes. This had looked somewhat doubtful when it became known that the USSR would not place a repeat order for two million tonnes.

Export earnings from iron ore are expected to go up by a little more than four per cent during October-December 1981 over the corresponding period of 1980. According to estimates prepared by the Commerce Ministry the average unit value is likely to be Rs 127.50 per tonne against Rs 119.31 for the same period last year. This is due to the increased price being paid by Japan which is paying 7.5 per cent more for iron ore exported by MMTC.

The Japan steel mills have agreed to buy 1.8 million tonnes of ore instead of pellets from India. Exports to South Korea are expected to be in the region of 2.6 million tonnes during 1981-82. Total overseas sales increased by 16.16 per cent during 1980-81 compared to 1979-80. This was due to 10.91 per cent increase in the unit value realisation and 4.74 per cent increase in quantity exported.

Increased Trade

Meanwhile it is reported that in a bid to increase trade with India, Romania is likely to set up three Liaison offices here. These steps come in the wake of Mrs Gandhi's visit to Romania last month. Indian trade with Romania has grown substantially since 1959 when the first trade agreement was signed. The bilateral trade has increased from Rs 3.8 crores to Rs 84.2 crores in 1979.

The hard core of our exports to Romania consists of iron-ore, mica, hides and skins, and leather products. However, our efforts for diversification of exports to Romania have not met with much success. In the wake of rapid industrialisation in India, the requirements of certain machinery items and equipment have dwindled considerably. Earlier, India imported oil-field and refining equipment and rolled steel products from Romania. With the expansion of Indian steel industry and production of drilling equipment by BHEL, import requirements of these items have decreased.

India's main exports to Romania consist of iron-ore which accounts for 70 per cent of our trade with that country. Fertiliser is another item which is being imported from Romania.

There is, however, potential for expansion of trade in areas like electronic components, rolled steel products, jute manufactures and plantation commodities including tea and coffee.

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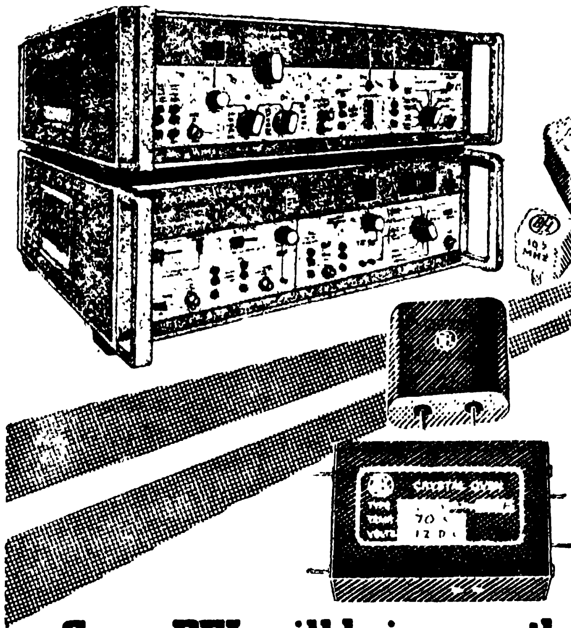

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Consolidation in the US Business Sector

SPECULATION OF a "merger mania" earlier this year was fed by the large number of companies that had lined up huge loan commitments either to acquire other companies or resist takeover. Many market analysts feared bidding wars would lead to a credit crunch and soaring interest rates as the credit lines obtained were drawn down. These fears have not yet been realised. But a weakening economy, high interest rates, and reduced credit availability may have let to a different form of consolidation in the business sector - bankruptcies. Mergers may therefore be the more desirable response to economic conditions.

Business failures have increased dramatically since early 1980. According to Dun and Bradstreet, the failure rate per 10,000 businesses average slightly less than 29 during the expansion years of 1976-79. But as the economy nosedived in the second quarter of 1980, the failure rate jumped to 46. The first nine months of 1981 saw a further 40 per cent surge in bankruptcies, which propelled the failure rate to nearly 60.

Although the doubling of the failure rate during the last two years (compared with the previous four-year period) appears worrisome, the recent level of bankruptcies is not high by historical standards. Between 1950 and 1965 for example, the failure rate averaged nearly 50, and from 1880 through 1933, it approximated 100. Nonetheless, the rise in bankruptcies has elicited more vocal protests over high interest rates.

The role of interest rates in increasing the number of bankruptcies, however, is not as obvious or important as some critics of Federal Reserve policy suggest. Money, or credit, is only one input to the production process (although one whose importance increases in a highly inflationary environment). Restraint of money-supply growth by the Fed has raised the cost of credit—at least in the short run—and has put upward pressure on prices. Business firms do have recourse, however. They can either pass through higher credit costs or economise on the use of credit.

With the contraction of the economy in the second and third quarters of 1981, and further prospective declines in real output seen well into 1982, many firms are finding in difficult to pass on increased borrowing costs in the form of higher prices. Moreover, creditors are increasingly concerned about business' outstanding debt levels. Consequntly, the desired level of inventories is expected to shrink, some capital projects will be stretched out or cancelled, and further cash-management innovations will be sought to conserve money and credit. In the short run, limits to such conservation measures are expected to keep the failure rate high--and possibly rising. To the extent that mergers enhance efficiecy or improve the access of the enlarged firms to credit, they are a sound response.

Caution in German Monetary Policy

THE RECENT rise in the German mark against the world's major currencies and the subsequent one-point reduction in Germany's Lombard rate have once again focused attention on the policy trade-offs facing Germany's central bank. Last February, the Bundesbank raised interest rates despite the domestic recession, ostensibly to protect a rapidly declining German mark. The Bundesbank felt, quite justifiably, that further declines in the DM would create inflationary pressures that might trigger a wage-price spiral. The real costs of having eventually to control such a spiral out-weighed the costs of immediate action on interest rates.

The February measures were partly successful. Although they failed to prevent a further decline in the DM against the US dollar, they helped prevent higher import costs from spreading through the economy. As a result, Germany's international competitiveness improved by some eight per cent and its trade balance, in volume terms, recovered dramatically. The chief reason for the DM's original weakness—a $14-billion current-account deficit in 1980—now looks set to reverse itself. Indeed, a somewhat stronger DM will bring positive price effects that may make official predictions of a $6-billion current-account deficit for 1982 too pessimistic.

New Set of Choices

The projected turnaround in Germany's current account, combined with a (still relatively low) 6.5 per cent annual inflation rate, is leading to something of a reassessment of the German currency. A shift of international portfolio preferences in favour of the mark may present the Bundesbank with a new set of choices. The first is reducing German interest rates relative to those overseas (mainly in the United States). The second is holding interest rates constant relative to those abroad, allowing the DM to appreciate further.

The Bundesbank's choice will ultimately involve two judgements; the degree of inflationary pressure now in the economy, and the course of US interest rates, A continued restictive policy would reduce DM-denominated import prices, which have risen by some 20 per cent over the past year, and probably stiffen employer resolve in the forthcoming wage round. It would, however, further weaken an already sluggish domestic economy. On the other hand, a rapid reduction in rates, which would stimulate domestic demand, would risk internalising imported inflation and prove counterproductive if the current decline in dollar interest rates proves temporary. The German central bank is therefore likely to adopt a cautious attitude in the short run. Should a consolidation of trends favourable to the DM materialise, particularly after this winter's wage round, a more rapid relaxation of policy would then ensue.

Japan's Move to Cut Public Debt

In striking similarity to the current US strategy, Japan's Government is attempting to slash spending to ease its burgeoning national debt. The Government, whose debt is expected to reach 82 trillion yen ($390 billion) by the end of March 1982, will have to finance 26.2 per cent of its fiscal 1981 spending through bond issues, compared with only 6.5 per cent in the United States and 12 per cent in W. Germany. The Suzuki Government has pledged to reduce this level to zero by the end of fiscal 1984. To lower its bond issue by 1.8 trillion yen in the next fiscal year without raising taxes, the Government has instructed most departments to hold their spending requests to this year's level. About the only increased allocations allowed in the draft budged are a 7.5 per cent rise in defence spending and an 11.4 per cent increase in foreign aid. The Suzuki Government has also presented Parliament with an administrative reform proposal designed to trim Government spending on various social programmes. Although most of these spending cuts are expected to be enacted, the "guns-versus-butter" debate could be heated and might ultimately result in a smaller rise in defence spending.

Japan's Technology Trade

THE IMAGE of Japan as a country dependent on advanced technologies imported from abroad is rapidly getting out of date. A variety of original Japanese technologies are now in demand by companies all over the world In fact, Japan's receipts from sales of technology overseas are approaching the level of Japanese expenditures on foreign technology. In 1979, the ratio of technology exports to imports was 1 to 1.8, compared to a ratio of 1 to 5 in 1971. At this rate, it won't be long before Japan exports more technology than it imports.

In chemicals, steel, and construction, Japan already sells more technology than it buys, although it is still a heavy importer of machinery technology. In the worldwide technology trade, Japan often acts as a relay station between the advanced West and other parts of Asia. About half of Japan's technology exports in 1979 were destined for Southeast Asia and other parts of Asia. Two-thirds of the nation's technology imports in the same year came from the United States and Canada, with most of the remaining third coming from Europe. Japan is making rapid progress in several high-technology fields, so technology exports to the West are expected to increase.

Patent registration statistics give an idea of just how active Japan is in developing new technologies. The percentage of Japanese patent registrations among total domestic and foreign patents filed in most industrial countries rose sharply during the Seventies. Japanese patents accounted for 10.5 per cent of all patents registered in the US in 1978, compared to 6.9 per cent in 1972.

Japan's commitment to technological progress is also apparent from the growing amount of financial and human resources the country is pouring into technological research. R&D spending by both the private and public sectors, for instance, equalled 1.27 per cent of Japan's GNP in 1965, compared to 1.83 per cent of the GNP in 1979. Still, the ratio of R&D expenditures to GNP in Japan remains lower than in most other industrial countries.

Japan surpasses most other industrial countries in human resources devoted to technological research. In Japan, 24 out of every 10,000 people work as professional researchers, more than any other country except the US, where 28 of every 10,000 are researchers.

The number of people with bachelor, masters, or doctorate degrees in science is over 134,000 in Japan, again topped only by the US. The startling thing about Japan is the overwhelming number of people with engineering degrees. This has probably contributed to Japan's remarkable progress in applications of existing technologies and production techniques, in contrast with Japan's relative weakness in basic scientific research.

Yet Japan is catching up fast in such advanced technologies as computers and optical fibers. Japan is undoubtedly on its way to becoming a leading exporter of useful technologies throughout the world.

Policy Constraints Limit Swedish Growth

SWEDEN'S ECONOMIC performance in recent years has been weak, even by European standards. Its major problems stem from insufficient adjustment to high energy prices and to a world in which competition for export markets has become intense. These difficulties in turn result largely from the economy's socialist orientation and a political environment in which corrective economic policies are sometimes difficult to implement. Nonetheless, Sweden's possessions of the fourth highest GDP per capita in the industrialised world (nearly $15,000) allows it sufficient flexibility to adjust to the new economic realities.

Sweden's adjustment to higher energy prices has been blocked primarily by resistance to downward wage adjustment.

The run-up in energy prices necessitates that the average level of real wages and of real profits be reduced to maintain full employment—a high priority for Sweden. It also requires that resources be transfered toward less energy-intensive processes and that substitution and conservation efforts be stepped up.

Substantive progress has been made on the energy conservation and substitution fronts. The Swedish authorities have imposed tax increases to reduce consumption of oil peoducts and are aiming to cut oil imports from the current 26 million tons annully to between 14 and 17 million tons per year by 1990. Furthermore, plans have been formulated to replace oil imports with imported coal and with peat from forests. Significantly, however, Sweden's strong labour unions have resisted cuts in real wages. This has contributed to a fall in profits and in investment, and also to a rise in rates of unemployment and inflation.

Sweden : Domestic Indicators

	1979	1980	1981 est.
Real GDP Growth %	3.9	1.4	-1.0
Inflation Rate, %	7.0	13.7	13.0
Money Supply (M3) Growth, %	16.5	12.3	9.5
Central Government Borrowing Requirement, % of GDP	9.6	10.5	11.2

Gross fixed investment in real terms grew only slightly in 1980 and is expected to decline by some eight per cent this year. And although still low, Sweden's unemployment rate is expected to average 2.3 per cent in 1981. up from two per cent last year. The rate of consumer price rise, which surged to 13.7 per cent last year from seven per cent in 1979, is forecast to remain at about 13 per cent this year. Also dampening business conditions is the Government's large and growing budget deficit, which is forecast to widen to 11.22 per cent of GDP in 1981. Rapid increases in public spending in the early 1970s gave a large boost to the deficit, which has expended further in recent years because of a recession that has cut revenues and increased welfare related expenditures.

The vital export sector has also lost momentum. With recession worldwide crimping export demand, certain export industries are facing stiff competition—especially from the newly industrialised countries—and it is questionable whether they will regain their former market position. Adjustment to the loss of competitiveness in in some industries requires flexibility across industries and internal resource mobility, but the Swedish system does not encourage these traits. High marginal rates of taxation dampen entrepreneurial initiative and innovation, while the geographic mobility of labour is discouraged by job-production schemes and by existing arrangements for providing low-cost housing. Reflecting these obstacles, export growth has waned. Merchandise exports are projected to decline by five per cent this year after 12 per cent growth in 1980. However, with import demand down and a reduced services deficit, Sweden's trade and current-account deficit are expected to narrow significantly this year. Moreover, Sweden's large supply of international reserves—$3.6 billion, excluding gold, at the end of August—and continued healthy capital inflows make deficit-financing no problem. And although Sweden is a debtor nation, with a net foreign debt of about $10 billion at the start of 1981, the ratio of debt to a GDP of $123 billion last year was only eight per cent, and the country possesses substantial overseas assets.

Exports to Lead UK Recovery

IT NOW seems clear that Britain's recovery from recession will be export-led. Figures published on October 29 by the Confederation of British Industry (CBI) indicate that while demand in the UK is languishing, overseas business continues to strengthen.

The CBI's latest survey of trends in manufacturing industry shows that over the past four months 30 per cent of exporting firms questioned experienced a rise in their volume of orders, following a long period when export contracts declined, often quite rapidly. And businessmen are much more optimistic about the prospects for further expansion of foreign trade.

This is entirely consistent with the September trade figures—published on October 10—which showed a six per cent volume growth in exports over the average level in January and February. It is also in line with recent news that the recovery in the engineering industry is gathering momentum—largely because of increased orders from abroad.

Improved Competitiveness

The CBI says that the international competitiveness of British firms has improved because of the lover value of sterling and through efforts by companies to hold down export price rises as long as possible. Also, the rise in the UK unit labour costs has been considerably reduced, in part reflecting better productivity. This is confirmed by official figures which show that between the first and second quarters of this year output per person employed in the production industries, other than oil and gas extraction, rose by two point two per cent.

Despite the recovery, in confidence about export prospects, the CBI says that general business optimism has weakened slightly. This may be due to concern obout the effect of the recent sharp rise in interest rates. However, in fifty of the industries which were surveyed increased optimism was reported.

There is a similar story for orders, with an overall small decline in the intake of new orders over the past four months, but with rising demand apparent in eleven industries and with most firms expecting the position to improve over the next four months.

The majority of companies are still working below capacity, but falls in output are less marked and stock levels have declined at a slightly slower pace. Shortage of orders or sales is expected to be the main factor likely to limit output in the coming months.

The survey shows that the tendency for investment intentions to become less negative is continuing. Twentyfive per cent of firms now expect to authorise more capital expenditure on plant and machinery in the next twelve months than over

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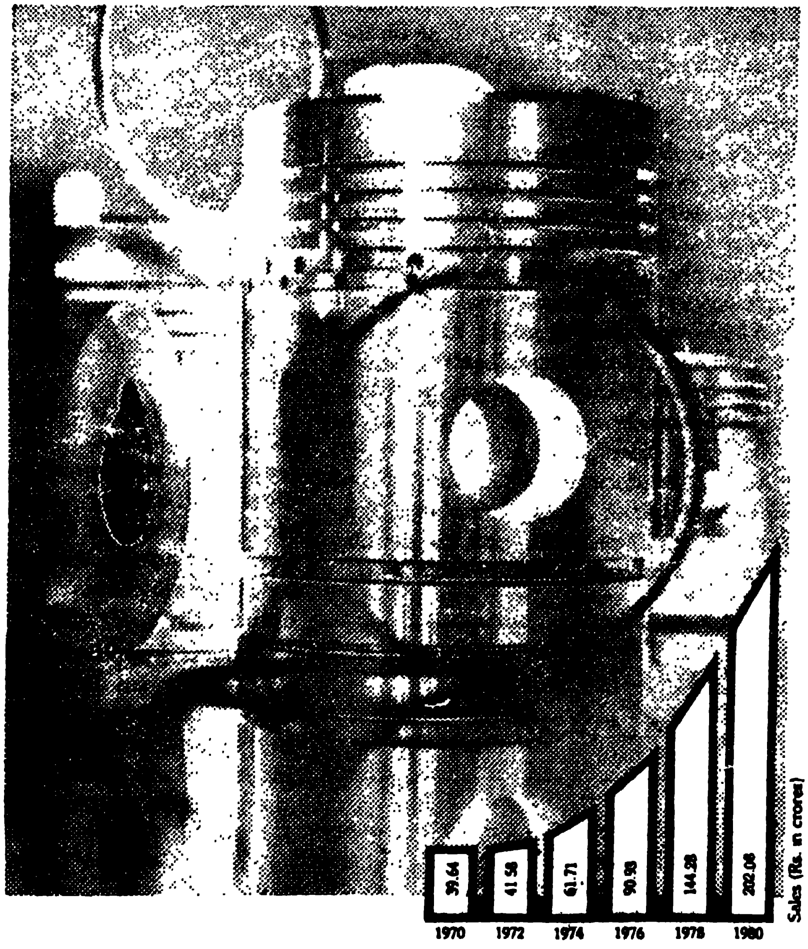

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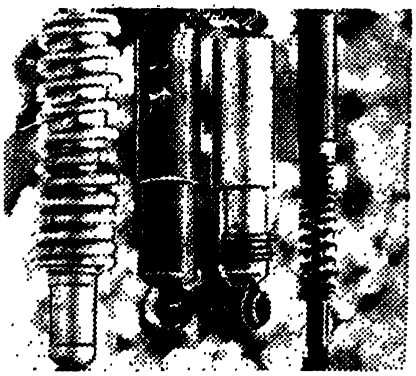

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Althogh there are likely to be further widespread falls in employment, the rate of increase in the number of jobless continues to slacken and some industries have started to take on more staff. A good sign is that there has been a considerable improvement in firms' liquidity, or cash balances, over the past year and the prospects for profitability are better.

Nearly 1,800 firms, employing about three million people took part in the survey.

World Oil Consumption to Decline by 1981

WORLD OIL consumption is expected to fall three per cent in 1981 following an estimated decline of six per cent in 1980 and a negligible increase (about ½ per cent) in 1979, according to estimates in a supplementary note in the *World Economic Outlook*. The continuing lagged impact of higher oil prices—accentuated in the USA by the decision to accelerate and broaden decontrol—and the slow growth of real Gross National Product (GNP) account for the expected decline in consumption in the industrial countries. Increasing balance-of-payments difficulties, caused in part by rising oil bills, will lead to reduced consumption in many developing countries as well. The expected upturn in economic activity in the industrial countries is likely to lead to some increase in oil consumption in 1982—although this is still expected to be below the 1973 level and substantially below the 1979 peak.

The world oil market is expected to remain soft throughout the rest of 1981 and 1982. This forecast, however, would change in the event of any new production cutback or supply interruption—especially if accompained by an unforeseen significant increase in oil demand.

Total energy consumption by industrial countries is estimated to have fallen by three per cent in 1980 after an increase of only 2½ per cent in 1979. Evidence suggests that higher energy prices have led to permanent adjustments and improved efficiency in energy use. Calculations, which are based on historical data and cross-country comparisons for most of the industrial countries assume the present real price of energy and a real GNP growth rate of three per cent. Industrial countries' energy demand is likely to remain roughly unchanged through 1985. Energy demand in developing countries, however, is more income-elastic, and there are only limited possibilities for energy conservation. Therefore more rapid development in these couutries is likely to lead to increased energy consumption.

Source : IMF Survey.

Dealing with Ageing Labour

THE AGEING of Japanese society is progressing very rapidly. The Demographic Research Institute estimates that the population of the aged—those over 65—today is about 10,000,000 or nine per cent of the total population. The institute predicts that in another 25 years aged people will account for 16 per cent of the population. This would be about the same as in Sweden, the ageing of whose society is the most advanced in the world.

Reflecting this situation in Japan, newspapers and magazines nowadays frequently carry articles about the problems of aged corporate employees and the pension system. Corporations can no longer afford to disregard the problem of the ageing population. If they are to maintain management vitality, they have to cope positively with this problem.

Quite a few corporations have started to deal concretely with the problem of aged employees. One company which has adopted a comprehensive measure is Department Store A. Two years ago this company adopted a package measure involving the retirement age, the retirement allowance and the pension. The company extended the compulsory retirement age from 57 to 60. After his regular employee status is terminated, however, a person will be re-employed for another three years until the age of 63. Previously, the re-employment period was two years, until the age of 59.

As for the retirement allowance, the company revised the formula for calculating the allowance, thus reducing the company's burden.

In addition, a corporate pension system was adopted, giving retiring personnel the option of taking up to half of the retirement allowance in the form of an annuity.

According to a recent survey by the *Nihon Keizai Shimbun*, foremost economic newspaper in Japan, the number of companies whose compulsory retirement age has been raised to 60 exceeded in the past one year those retaining the 55-year-old limit. Although it will still take some time before most companies adopt the 60-year-old limit, the trend seems inexorable.

Unique System

The compulsory retirement age system is unique to Japan. In the West, the retirement age is generally regarded as the age at which a person qualifies to receive national pension and stops working. In most cases, this age is 65, higher than the compulsory retirement age in Japanese companies.

In Japan, national welfare pension payments start at 60, leaving a gap of five years between compulsory retirement and pension benefits. As a matter of fact, however, because the average Japanese life span is now over 75, a person retiring at 55 or 60 cannot feel so secure. Still having physical strength and mental faculties, he wishes to continue working for a few more years in order to increase his savings in preparation for real old age. In order to respond to this wish of the employees, Department Store A extended its retirement age in a manner which was also advantageous to the company. The store was thus able to make use of the re-employed workers' knowhow in sales and customer relations accumulated through their long service.

Electrical machine manufacturer B

exceptionally interested in making use of aged workers. For example, the production line at its air-conditioner plant was designed specially to make best use of aged workers. No one scurries around, and there is no busy flow of products moving on the conveyor belt. A leisurely atmosphere prevails at the plant, where production teams of seven or eight men and two or three women assemble air-conditioners in a relaxed mood. When one finishes his part of the work, he hands it to the next person.

This production system was devised, from the very beginning, to make use of aged labour and to prove the proposition that when the physical strength of the young and the experience of the aged are combined effectively, productivity does not decline seriously, even if the average age of workers involved is high. Aged workers, re-employed after their retirement age, are working in this plant together with younger workers, and surprisingly, the work efficiency is good.

Young Vs Old

In overall evaluation, which takes into account not only the speed of production but also the quality of products, this production line organised with re-employed old workers and young workers can well compete with a production line organised exclusively with young workers. The experience and accumulated skills of the aged supplement the inexperienced, unskilled young workers. At this plant one of the teams has a total staff of 12, whose average age is 44. Two of the 12 are in their early 50s and three are close to 60. This team was established so that old workers can make up for declining physical strength with knowledge and experience.

This team is staffed with veteran workers highly skilled in machine processing such as operating lathes. Skilled lathe workers were given training in operating boring machines to widen the range of their skills. As a result of training single-skill workers into multi-skill workers, the period of manufacture has been halved, the cost of production reduced by 30 per cent and precision raised significantly. As is evident from this the experimental team has been producting astonishingly good results.

There are numerous cases which show that professional skills do not deteriorate as workers age. A typical example of this is the case of a food maker which successfully operates a chemical sesaoning and instant seasoning plant manned by employees, of whom the males average 45.3 years in age and the females 30. This plant used to have 1,550 employees but the number has been trimmed to 1,000 today, a 35 per cent saving in manpower. This is the fruit of investment in rationalisation and labour saving and of innovations made by the company. This food company achieved the rationalisation of its seasoning plant very efficiently. As a result, the number of section chiefs has been reduced from 56 to 40 in five years.

Seniority System

How to regulate wage hikes and promotions is a headache for corporate managers seeking to work out measures to cope with the ageing of their employees. The Japanese seniority system which is an established corporate rule in determining pay raises and promotions has significantly contributed, together with the lifelong employment system, to enhancing the morale of employees. Therefore, any tampering with the seniority system could result in a lowering of worker's morale and deterioration of corporate business performance. The retirement age system, under which an emloyee, even though still capable, has to leave his company at the compulsory retirement age or even at best have retirement extended for two years, has played the role of lubricating oil in the smooth operation of the seniority system as for as pay raises and promotions are concerned.

However, now that Japanese society has aged, we have to review this pay raise and promotion system in order to deal properly with the ageing society. As a matter of fact, steps have actually been taken by some firms to overhaul the traditional pay raise and promotion system. According to a survey conducted by the Ministry of Labour, the percentage of corporations which have adopted a job classification system to determine the pay scale has risen from 28 per cent in 1970 to 45 per cent in 1979. Unless a company is hit by a structural recession which gives it no prospect of improving earnings, it is difficult for the management to lower the wage level. Therefore, it is probably the easiest way for most enterprises to devise a measure to prevent regular pay raises from being reflected in retirement allowances, as Department Store A has done, in an attempt to curb overall personnel costs.

In many cases, employees who are retained under the status of "shokutaku," or non-regular staffer, after their retirement age lose their pre-retirement supervisory title and their salary is reduced. Electric machine manufacturer B has adopted this system. When one retires at the age 56, he is paid a retirement allowance. If he continues to be employed, his status is switched to a long-term "shokutaku" which the company calls "sen nin-shain," a senior employee. He can join the labour union and enjoy paid holidays as before. But his pay is reduced by 10 to 15 per cent His pay is raised annually to compensate for inflation for the next four years, but he is not given a pay raise as big as that given to employees who comprise the active work force.

'Mado-Giwa Zoku'

Promotions pose a far more serious problem to corporations than wage raise. "Mado-giwa-zoku," a term describing middle-echelon personnel who have been taken off the promotion escalator, given high-sounding nominal titles and desks close to the window (mado-giwa), but no real work, has become a popular expression these days. The "mado-giwa-zoku" is nothing but the result of a firm's inability to develop new business and create new posts for its staff. The firm's growth has slackened simultaneously with the ageing of its employees, resulting in the "mado-giwa-zoku."

If supervisory and administrative posts are occupied by firmly ensconced seniors, the younger employees will have no chance for promotion and their frustration will accumulate, causing morale to deteriorate. Food manufacturer C has set the retirement age at 55 for those above the rank of department manager and at 60 for rank and file employees. Food manufacturer C, however, is one of a very few companies that has taken this step to combat managerial overcrowding.

Point of View

Managing Corporate Inventories

Navin Chandra Joshi

The author believes that inventory control should be made a part of production control in order to maintain a flow of materials needed for the efficient and continuous operation of the production line. Its coordination with production programmes is necessary in the present times of large scale production accruing from advanced technology.

A COUPLE of decades back, the inventory control manager was nothing more than a glorified clerk with little or no training. His place had no recognition in the hierarchy of company management. His work at best was haphazard, unchallenging and more by guess than by system. His main worry was to ensure sufficient stock of materials in stores. In contrast to this, today's inventory controller is, more often than not, concerned with how to reduce inventory so that the cost of maintaining it may not be adversely affected. As such, the present-day inventory control involves, (i) laying down of a procedure to procure an adequate supply of the required materials, (ii) evolving a system to maintain and protect the materials after they are received, and (iii) devising a methodical way of issuing materials when and where they are required. These three functions of procuring, maintaining and issuing materials are indeed three major functions of effective inventory management

In the accounting sense, inventory is the aggregation of finished products, production materials, spare parts, raw materials and the products of work in progress. As such, the cost of inventory represents capital tied up in the business. It is necessary, therefore, that there should be a proper inventory control system for combined economy and service to the enterprise. For this purpose, new tools of management are constantly being evolved and used. Amongst them, the techniques of operations research and electronic computers are the latest. They, however, require proficiency in higher mathematics and a specialised study. In any case, even the simpler techniques of control used in managing most large inventories require sound policies, systems, organisation, standards and principles of operation.

Inventory policies involve the establishment of standards in terms of maximum and minimum limitations, as also the application of techniques and methods that will assure conformity with inventory standards. Alongside, budgeting requires that inventory standards be established with an in-built device for reporting variations of actual inventory levels from standard levels, say week to week, month to month, and so on. Inventory standards, if not developed by operations research, should be based on past records and careful forecasts of conditions and needs, though generally it is business judgment that dictates the standard. One type of standardisation is the prescribing of maximum and minimum limits for individual terms of inventory. The specification of such limits is one of the most important problems in materials control. The minimum point is designed to prevent a material shortage. The maximum inventory is controlled by factors principally concerned with capital investment, operating cost, storage conditions and future needs. In fact, it is the company's optimum size of inventory that must be determined. The underlying concept is that costs attach to storage and such costs may increase beyond the cost of having a few shortages. Therefore, a company has to go on experimenting with the optimum size of inventory so that the cost of inventory is the least.

Determination of the quantities to carry and the optimum inventory investment is a problem of minimising the total of two conflicting kinds of cost—the cost of carrying and the cost of not carrying enough. Of these, the cost of carrying an inventory can be estimated and measured. However, it is difficult, if not impossible, to assign costs to factors that serve as cost of not carrying enough inventories.

While there is no set formula or procedure to calculate the right safety stock, some calculations based on mathematical formula can be applied. The example given in the table below illustrates one such case.

Months	Units consumed	Forecast of consumption	Deviations of forecast from actual usage	Deviations squared
January	250	260	+10	100
February	225	220	—5	25
March	275	260	—15	225
April	240	230	—10	100
May	280	275	—5	25
June	260	270	+10	100
July	240	245	+5	25
August	280	270	—10	100
Total				700

The deviations of forecast requirements from actual usage are arithmetically derived and then squared and totalled. The next step is to take the square root of the deviations squared divided by the number of months. In this example, it will be equal to : $\frac{700}{8} = \frac{26.45}{2.83} = 9.35$. Two-times the standard deviation or about 19 units would protect against a stockout about 95 per cent of the time (a safety stock of 19 units). Three times the standard deviation or about 28 units of safety stock would mean 99 per cent protecting against stockouts due to variation in usage based upon experience of eight months.

Timing of Fluctuations

In businesses with a seasonal fluctuations in sales, the necessary investment in inventory at any one time is affected by the timing and sharpness of fluctuations. In the area of inventory decisions for sale purposes, how many units a seller should stock in preparation for the future demand, is an important one. This can be decided by the formula :

$$p(x) = \frac{c}{m+c},$$

where p (x) means the cumulative probability that this quantity or more will be sold, c means the loss per unit on quantities not sold, and m means the mark-up per unit.

There is also an important ratio for appraising the overall inventory situation known as inventory turnover ratio which is expressed as :

$$\text{Inventory Turnover} = \frac{\text{Cost of goods sold}}{\text{Cost of average inventory}}.$$

The optimum ratio would depend upon the type of enterprise. A high ratio indicates that little capital is tied up in inventory compared with the volume of business. A manufacturer of special machinery or large structures would necessarily have a very low turnover as there is much material tied up as 'work-in-process'. The ratio helps in making historical comparison, particularly from year to year so that the viability of inventory may be judged economically.

It has been found that no particular system of inventory management is satisfactory for every need. It has to be developed to meet the requirements of a specific business. Since planning and control of inventories has been a neglected problem of management, the recurring critical shortage of goods, failure to meet sales delivery dates, or conversely, a gross overstocking of certain items, have become serious problems to be reckoned with. These problems extend to inventories of supplies, raw materials, work-in-progress and finished goods. It is, therefore, necessary that in developing production requirements, consideration must be given to the finished goods and work-in-process inventories. Indeed, it is impossible to develop a satisfactory production programme without a definite inventory policy. One of the principal advantages of production budgeting policies is that it forces advance consideration of the inventory problems also. As such, the problem involved is just not one of replenishing stock of various types but is of determining standards. They are generally of four types viz., (i) the maximum, (ii) the minimum, (iii) the standard order, and (iv) the reorder point.

Reorder Point

The standard order shows how much to order. It indicates the most economical purchase lot size. The reorder point indicates when to order so that when the point is reached, a purchase requisition is issued for the standard order amount. When the quantity on hand falls to the reorder point, an order is processed for the order quantity. If there is no uncertainty, this order quantity will arrive just as the inventory falls to the minimum quantity. The inventory will rise to the maximum— the maximum consisting of the minimum plus the order quantity. As the use continues, inventory will again fall toward the recorder point.

There are two kinds of uncertainty faced viz., uncertainty about the rate of usage and uncertainty about the amount of time it will take to deliver the new order. Usage of the inventory will speed up as the demand for the company's products increases and slow down in periods of decline in sales. In any case, the min-max inventory control involves uncertainty and the theory of probability has to be applied. The min-max is based upon the premise that the quantities of most stock items are subject to definable limits.

ABC Plan

Segregation of materials for selective control, called the ABC plan, may be usefully adopted as an analytical approach based upon statistical averages. It can provide impressive savings in materials costs. Therefore, it is not worthwhile to use a rigidly uniform material control policy to control both low value and high value items as it would not be economical to do so. It has been found that a relatively small percentage of the parts stored make up the bulk of investment. It would, therefore, be more economical to purchase a large supply of low items and maintain little control over them. Similarly, it is more economical to purchase small quantities of the expensive items and maintain a tight control over them.

We know that for an average manufacturing concern, the cost of physically maintaining the inventory represents a relatively large expenditure in the form of storekeeper's wages, cost of storage facility, interest, clerical assistance, and the like. In addition to this, there are other costs such as losses resulting from price declines, obsolescence, deterioration, breakages, unnecessary space requirement, unwarranted utilisation of equipments and labour, and extra taxes and insurance. In view of this, it is necessary that the end objective of inventory management must be guided by the need for having correct quantity of materials on hand with a minimum expenditure of investment consistent with expediency. It is worthwhile that inventory control is made a part of production control in order to maintain a flow of materials needed for the efficient and continuous operation of the production line. Therefore, its coherence and coordination with production programmes are of utmost necessity in the present times of large scale production that takes place generally with advanced technology.

Ku-Babul: A Multipurpose Tree

Amrit Patel & Raju Iyer

Ku-Babul, a multi-purpose tree, having potentialities to grow in dought-prone areas may be the answer to the anxities of the teeming millions in rural areas about thefast-depleting wood resources which is used as domestic fuel. Author feels that an action-oriented plan will go a long way in accelerating the pace of its cultivation and raising the income of rural families. Besides providing quality forage Ku-babul also plays a unique role in preventing soil erosion.

THE UNKNOWN world of legumes—botanically known as *leguminosae* to term the egumes as a family—have presented new lopportunities in agriculture. Among the species that are opening up new possibilities are *Leucaena Leucocephala*, *Acacia auriculiformis*, *Acacia mangium* and *Sesbania callothyras* which are multi-purpose plants with very high growth rates. *Leucaena leuocephala* discovered by Prof. James Brewbeaker of the University of Hawaii in 1960 and tried in the Philippines grows a metre a year, meaning 30-50 cubic metre per hectare per annum, whereas a well-managed pine grove grows just about 10 cubic metres. It has been chemically found to be a good species for quality paper and also can be used as firewood and charcoal. It is a source of protein-rich fodder which can restore the confidence of millions of dairy farmers in dry areas. Its nitrogenous rich foliage can be an effective source of improving the degraded soil. It has a unique role to play in preventing soil erosion and unfavourable changing pattern of rainfall. Besides, it will remove the anxieties of the teeming millions in rural areas about fastdepleting wood resources which are their domestic fuel.

New Species

Agriculture in the Third World countries can benefit considerably if they plan to incorporate the cultivation of Ku-babul (*L. Leucocephala*) and other fast-growing species on their waste-land, fallows, as also a part of social and farm forestry. As the Ku-babul is a multi-purpose tree, having potentialities to grow in drought-prone areas, it is essential that India should formulate an action-cum-result oriented plan for accelerating the pace of agricultural development and raising income of rural families/village panchayats in rural areas. An attempt is made here to highlight the important components of such an action plan as also the salient features of Ku-babul cultivation.

Scientific plantation of Ku-babul in India would yield many advantages, including restoring of eco-system. The following are the special attributes of this tree :

High Quality Forage

—It provides high quality forage containing 20 to 25 per cent crude protein and 30 to 33 per cent dry matter. Its leaves contain 33 to 35 per cent crude protein and tender stems contain 12 to 15 per cent crude protein. Yield of fodder can be as high as 100 tonnes per hectare per year. It is suitable for being planted/raised with crop-mixtures viz. quinea grass, hybrid napier, setaria, pangola, rhodes and doob under irrigated conditions. It can be grown with blue-panic, thin guinea, anjan, and marvel in dry farming areas. The grasses, of course, should be planted two months after the establishment of Ku-babul. Besides, seasonal fodder crops like sweet sudan, dina grass, maize, jowar, bajra, teosinte and oats can be intercropped with Ku-babul. An acre of low quality land under Ku-babul can yield enough green fodder for a couple of cattle. Fodder can be even had from trees planted on the margins or for shade while the bulk of the plot can be used for crop-farming. It has the potentiality to offer Rs 3000 per acre, if planted on degraded soils.

—It has a high fuel value. In two years, the plants acquire height of 9 to 10 metres with a girth or diameter of 6 cm at breast height. Each plant yields around 6 kg. straight thick wood and 1.5 kg thin top wood and branches. The yield per hectare is about 75 tonnes. The stubbles should, however, be cut 15 to 20 cm. from the ground level for good regeneration ever year. It is suitable for being raised as a part of social and farm forestry programme.

—It also yields good quality timber, solid strong wood becomes available after five to six years. For forest plantation, 10 to 12 months old seedlings/saplings raised in polythene bags should be used. The trees reach a height of 15 to 16 metres with a girth/diameter of 25 to 30 cms at breast height. The wood has a density of 0.75 and can be used for girders, thick poles and posts

—Unlike other quick-growing trees, the Ku-babul does not exhaust or deplete the soil, on the other hand, it enriches on account of its nitrogen-fixing ability. The dry leaves of this tree can also be used as a source of organic manure. It is reported that it adds more than 500 kg atmospheric nitrogen per hectare per year, which would be equivalent to 1078 kg urea, and appreciable quantity of organic matter. It has a high ability for restoring fertility of denuded grasslands.

Major Advantage

—It can grow in almost all types of soils except acidic/water logged and once established can also successfully withstand the rigours of heat and grow very well even on rocky soils with steep slopes and rolling topography. It grows very fast and possesses impressive regeneration capacity. It has a wider adaptability—a characteristic much sought by Indian farmers.

A comprehensive and scientific action plan should be evolved by :

—Involving agricultural universities, krishi vigyan kendras, banks and village teachers in motivating and educating the farmers in their fields/bunds/waste-land/ fallow land for fodder purposes.

—Making village panchayats/gram sabhas responsible for raising Ku-babul for fodder, fuel and timber purposes on a piece of at least ten hectares in the gauchar or pasture land or waste-land available with them.

—Making district rural development agency and block officials responsible for providing all the required assistance to farmers and village panchayats and monitoring the working of this scheme.

—Providing financial assistance to willing seed growers in the villages for raising Ku-babul seeds so as to make them available free of cost to the growers of Ku-babul.

Propaganda Needed

—Popularising the scheme of Ku-babul cultivation through all effective media of communication in the villages, viz. involving village teachers, school children and rural womenfolk, demonstrating its cultivation in the village on panchayat land, showing film on Ku-babul which is available from "Overseas Development Materials, World Neighbours, 5116 North Portland Avenue, Oklahoma 73112, USA".

—As the Ku-babul plantation involves treatment for quick germination—hot water treatment and application of rhizobium culture CB-81—effort, should be made to supply technical guidance and rhizobium culture along with the seed by the authorised seed dealers/ Farmers' Service Societies.

—As the Ku-babul cannot be fed as a sole ration to the animals, since it contains toxic substance called '*mimosine*', detailed instructions on the preparation of ration-mixture in specific proportion of different feed components should be advised to the farmers and it should be ensured that it is followed by them properly.

—Adequate surveillance and vigilance measures should be initiated to check the development of pests and diseases on this plant as soon as its cultivation increases in remote areas of the country;

—India has 17 million hectares of land classified as culturable wastes, 23 million hectares as fallows and 48 million hectares more or less completely devoid of vegetation. Of the total geographical area in the country, 50 million hectares are severely affected by wind erosion and around 100 million hectares are seriously affected by water erosion. Thus, a comprehensive and scientific plan to bring this area progressively under Ku-babul or such other fast growing and useful plantations needs to be formulated by the Departments of Agriculture, Soil & Water Conservation and Land Development Corporations.

—Maharashtra Government has already planted Ku-babul in drought-prone areas which hold out the prospects of controlling soil erosion and retaining moisture in the soil. The Government has aptly planned to plant Ku-babul on 10 hectares in each district and announced liberal incentives including cash benefits and supply of essential inputs. This highlights the need for planting Ku-babul and such other quick growing trees on the unproductive land belonging to the community and unremunerative land held by individuals; and

Credit Scheme

—A credit scheme for this can be discussed by banks at the State level review meetings to be convened shortly by the banks for reviewing the progress of implementation of District Credit Plans (DCP). A beginning may be made by banks to launch a pilot project in each district in the year 1982 when lead bank finalises the annual action plan for the year 1982. The results of this pilot project should then be utilised for extending the plantation in a systematic way by incorporating the credit and development needs in the DCP for the year 1983-85.

Important components of the proven technology as demonstrated by the BAIF and discussed very recently in June in the All-India Seminar organised by the Union Ministry of Agriculture with the financial assistance from Swiss International Development Agency (SIDA) in Urali Kanchan are given below.

Land Preparation: One ploughing followed by one or two harrowings. On hilly soils, ploughing should be done along the contours.

Seed Treatment: (For quick germination): (i) Dip the seeds in hot water at 80°C for four minutes (If boiling water is allowed to cool it touches 80°C in about five minutes). (ii) Treatment of seeds with commercial sulphuric acid (80% purity) for 15 minutes and quickly washing four to five times. This is a hazardous and costly process and should be adopted with great care.

Seed Inoculation: After the above mentioned treatment, the seeds should be dried and inoculated with rhizobium bacterial culture CB—81. If this inoculant is not available, then the seeds should be mixed with soil dug from the root zone of Ku-babul which is found to grow vigorously in the neighbourhood.

Nursery: Where water is scarce in the summer season and the soils are shallow and gravelly, seeds should be sown in polythene bags and the seedlings planted in the field after 8 to 10 weeks with the break of the monsoon season.

Manures and fertilizers: (i) 25 tonnes farm yard manure per hectare (2.5 acres) at land preparation. (ii) 275 kg superphosphate+50 kg muriate of potash +25 kg urea at sowing. (iii) 150 kg superphosphate repeated every two years in poor soils, three years in soils of medium fertility, and four to five years on fertile soils.

Sowing: (i) Raising seedlings in nursery in polythene bags and planting in field, (ii) direct drilling in the field, (iii) opening the furrows with desi plough and dropping the seeds in these furrows (Kora method) or putting the seeds through the funnel and an iron tube fixed behind desi plough (Pora method); (iv) dibbling with khurpi in small areas, (v) opening the furrows with soil inversion ploughs on the contour of mountaneous areas and sowing the seeds with hand in this furrows, and (vi) transplanting seedlings 10 to 40 cms in height in monsoon season (in small areas as bare root seedlings).

Time of sowing: Preferably in the

monsoon season. In Southern and Eastern regions where the minimum temperatures do not fall below 14°C, sowings can be done the year round in irrigated areas.

Spacing: (i) 75 cm to 1.00 metre between the rows and 10 to 20 cm between plants within the rows, (ii) under dry farming conditions, mountaneous terrain and low fertility areas, one metre between rows and 50 to 60 cm between plants within the rows, (iii) for fuel plantations, 1.0 metre × 1.0 metre or 1.5 metres × 1.5 metres, and (iv) for timber, 3 metres × 3 metres or 4 metres × 4 metres.

Seed rate per hectare: (i) Four to 10 kg per hectare fodder depending upon spacing, (ii) 1.0 kg for fuel, (iii) 100 gms for timber.

Weeding: Very essential during establishment of crop. First weeding 3 to 4 weeks after germination and repeated till land gets fully covered by Ku-babul.

Cutting Management: First cutting after 5 to 6 months. Subsequently, 40 days, in monsoon season, 50 days in summer and 60 days in winter. In dry farming areas, 1st cut after 8 to 9 months. Side branches may be trimmed 3 to 4 times every year.

Stubble height: First cut at 70 to 80 cm from ground level when the plants reach a height of 1.75 metres. In subsequent cuttings, increase the stubble height by 2 cm till 90 cm to 1.0 metre at which all further cuttings should be taken.

Irrigation: In deep soils, irrigate only in the summer season, once a month. In gravelly soils, once a month in summer and 5 to 6 weeks in winter.

Drainage: Free drainage is essential as the shrub does not tolerate waterlogged conditions.

Yields: On deep, well fertilized and managed soils, 100 tonnes fodder per hectare per year in 6 to 7 cuttings. Average yields, 60 to 75 tonnes/ha./year, and on gravelly soils with low rainfall, 25 to 30 tonnes/ha./year.

हर कारीगर व राज की पसन्द
शक्ति में सर्वोत्तम
चेतक
ब्रान्ड
सीमेन्ट

प्रो. बिरला जूट मैन्यू. कं. लि. कलकत्ता-१.

BOOKS BRIEFLY

Ineffective Extension Services

Small Farmers Developmenr Programme : S.M. Pandey and J.S. Sodhi; Shri Ram Centre for Industrial Relations and Human Resources; New Delhi; Pp 251; Price Rs 70.

Industrial Conflict : Ramachandra Raj; Light & Life Publishers, New Delhi; Pp 168; Price Rs 50.

Development Finance for Small Farmers : N. Mohanan; Rainbow Publications, Coimbatoie; Pp 298; Price Rs 60.

Tribal Economy of India : P. Ramaiah; Light & Life Publishers, New Delhi; Pp 207; Price Rs 75.

Nehru's Idea of History : T.K. Ravindran; Light & Life Publishers, New Delhi; Pp 143; Price Rs 50.

Probloms of Economic Development in the Thirld World (with Special reference to India) : Kedarnath Prasad; Sterling Publishers Pvt. Ltd; Pp 458; Price Rs 75.

Reviewed by **Academicus**

THE FINDINGS of several enquiries have proved that small and marginal farmers, agricultural labourers and rural artisans did not derive adequate benefits from the Small Farmers Development Agency (SFDA) and the Marginal Farmers and Agricultural Labourers Development Agency (MFALDA).

The study, *Small Farmers Development Programme* by S.M. Pandey and J.S. Sodhi has tried to evaluate the working of SFDA and MFALDA in three districts of Uttar Pradesh. It would be instructive to critically examine the findings of the study and the suggestions as they are of general significance.

The authors have come to the conclusion that SFDA and MFALDA "did not perform well as was expected in terms of their own planning". A substantial percentage of the rural poor were not even aware of the existence of these agencies. This shows "the ineffectiveness of the extension work done by the agencies to popularising the scheme among target population".

The two main programmes initiated by the SFDA and MFALDA in the three districts were minor irrigation and dairying.

In regard to minor irrigation, the participants in the three districts reported frequent breakdowns in their tubewells. There were difficulties of reaching repair centres due to their distant locations. Often the mechanics were apathetic. Thus generally there was lack of supporting infrastructure for making full use of the installed tubewells. The authors have suggested that the agencies must organise short-term demonstration sessions to enable participants to attend to minor breakdowns. It is also suggested that minimum infrastructure facilities must be made available by the agencies in areas selected for minor irrigation programme.

The authors have also suggested that the agencies should specify certain standard brands of pumpsets to be bought by participants; loans given should cover full cost of pumpsets; and appropriate rates of electricity should be charged to beneficiaries. It should be seen that the benefits really go to the target groups.

Dairy programme aimed at organising primary milk producers' cooperative societies with suitable number of milk collecting centres and enhancing the supply of milk and income of the participants through sale of milk.

The dairy programme showed a number of deficiencies. Primary milk producers' societies were not efficiently organised; proper types of milch cattle were not made available to participants and veterinary services were inadequate and unsatisfactory. Participants also faced the problem of feed and fodder for the cattle.

The authors have suggested that primary milk producers' cooperative society should maintain a small office where quantity and quality of milk would be checked in the presence of suppliers; the society should arrange import of cattle and supply of cattle feed, veterinary services and medicines at concessional rates through district union of primary societies; price of milk should be paid to suppliers daily or weekly; the society should ensure proper maintenance of accounts and records; and it should arrange free periodic training of milk producers.

Role of Banks

Commercial banks have a vital role to play in executing programmes formulated by SFDA and MFALDA. It was however observed that banks still insist on sound security of the traditional type for granting of loans; they still follow complicated procedures involving considerable time, and they have not adequate extension staff to cope with increasing workload.

The study has emphasised that if SFDA and MFALDA (which are now merged) are to really benefit the target groups, the organisation will have to take its work more seriously and with dedication. There will have to be proper staffing and training of personnel. And above all, the target groups must be made fully aware of the programmes which are being undertaken by the agency and of benefits which they are likely to derive under the various schemes.

The findings of this study seem generally to hold good in other States also. Because of their long-standing poverty and illiteracy, the rural poor do not as yet seem to be aroused by and attracted towards various programmes meant to benefit them. Properly motivating the rural poor is therefore the primary task on which would depend their participation and success of this programme. This is the role of political and social leaders who must come forward to do this work effectively.

FARMERS & FINANCE

If the book reviewed above bas attempted to evaluate the benefit that small and marginal farmers in three districts of Uttar Pradesh have or have not achieved from various development agencies. *Development Finance for Small Farmers* concerns itself with the identification of major bottlenecks in the economy of small farmers and makes suggestions regarding policy and steps to remove them. The author has also made an attempt to assess the effectiveness of different credit agencies and role of Small Farmers Development Agency (SFDA). He has selected Cannanore district in Kerala as his field of study.

It has been rightly emphasised that investment credit is a catalyst leading to development and economic progress of small farmers.

According to the author, the agricultural economy of Kerala presents a series of contrasting features. Kerala is rich in natural endowments. Agriculture is dominated by high income yielding crop combination. But natural resources like water have not been adequately exploited and very low land-man ratio has resulted in poverty of the peasantry. There are functioning a number a viable credit institutions in Kerala's agricultural sector and yet non-institutional credit continues to flourish as before in the rural areas of the State.

The author is very critical of the role played by the SFDA. Target group of farmers for provision of assistance by SFDA was not properly identified; there were no clear objectives while taking up various schemes for implementation; practically all activities appear to have been thrust upon farmers, neglecting their priorities and needs; and schemes which were within the competence of farmers did not receive adequate attention. The consequence of all this was that an integrated approach to development which is the basic concept behind SFDA was found wanting.

The study has brought out the important fact that along with investment credit provided by agencies like SFDA, what really matters in uplifting farmers is their attitude and response and their managerial skills and competence. Without proper attitude and adequate managerial competence, mere availability of investment funds would not bring about upliftment of the peasent community. There is need for a fundamental change in the cultural ethos, value-system and environment of small farmers.

Illusory Concept

There is much talk for some time of the integrated credit system. But the author's finding is that "small farmers are handicapped on many counts and yet do not desire integrated credit." According to the author "····· fully integrated finance has been a bane of the freedom of farmers to innovate and experiment within there competence." And therefore "the epoch of integrated credit to small formers turns out be an illusory or only a futurist concept." According to the author, attempts should first be made to change the attitude of small farmers and then move towards integrated credit system gradually. For example, investment in irrigation projects should be given top priority; and after a lapse of some years, the same set of farmers could be assisted in setting up a dairy project, care being taken to establish the needed infrastructure first. The time is not ripe, according to this study, to immediately adopt an integrated credit system. That explains the general failure of the system to bring about upliftment of small farmers in Kerala.

Instead of an integrated credit system, the author is in favour of 'the Yela approach' which is slowly emerging in Kerala as an ecffective method of promoting viabilityof small farmers. Yela approach is "a production programme, primarily oriented towards upliftment of small farmers in a compact area and is essentially a programme of cooperative action, pooling of resources and working on common plan." This approach brings in a much needed cohesive set-up to organise small farmers' fragmented activities into group farming activities that would be economically viable. It provides easy flow of inputs and other services on a package basis. The author has come to the conclusion that "small farming operations are by their nature inefficient, and the only hope for increased productivity would be a shift towards large scale organisation of activities however owned."

After reading this book one is left with the impression that the history of rural credit in India reads like a grotesque tradegy. Committee after committee has probed into the agony of farmers and suggested various remedies from time to time. But it is a sad commentary on the country's credit system in rural areas that notwithstanding (or possibly because of it), economic planning spread over more than 30 years, majority of farmers still continue to be in the clutches of money-lenders.

There appears to be no standard organisational pattern or omnibus solution to the complex problems of small farmers in the country. The study shows that what is needed is effort to bring about radical changes in the attitude of small farmers, an organisational pattern that would suit local conditions, and political will that would help effective implementation of the appropriate plan worked out on the basis of local conditions and with effective cooperation of the peasants concerned.

SOCIAL CONFLICTS

Ramachandra Raj has made an attempt in *Industrial Conflict* to analyse social conflict which is a universal phenomenon. As a student of sociology, the author firmly believes that "at any moment of time, every interaction in society, whether between individuals, groups or large nation states, takes place either in the context of conflict or contains element of conflict".

During the last century in Western Europe social thinkers like Marx and Weber devoted much attention to the phenomenon of social conflict, their main concern being to bring about "a new order and structure from the prevailing chaos in the society".

But from 1930s sociology of conflict appears to have been relegated to the background and focus of sociological studies appears to have shifted from conflict to cooperation and accommodation. According to the author, this shift is due to the fact that in contemporary western societies, conflict and change appear to be contained within a super-structure. In western countries, conflict is being viewed as a departure or 'deviance' which is to be curbed for ensuring social stability.

But according to the author, contemporary sociologists caught in the hailstorm of class interests and class conflicts cannot just wish away the phenomenon of conflict. Thus the author sees around him conflicts manifested through class and sectarian interests, student/campus unrest, individual and family disorganisation and through rivalries between regional blocks and super-powers. He feels that these conflicts have now assumed a dimension far more explosive than at any time in the known history of human race.

Wrong Approach

According to the author, Indian sociologists with their predominantly western orientation have almost totally neglected the study of the phenomena of conflict in Indian society. He thinks that instead of attempting to provide any valuable insight into the prevalent communal, sectarian, regional and linguistic conflicts, student unrest, industrial and agrarian unrest, and the various overt manifestations of these phenomena in many forms like riots, naxalism, gheraos, strikes and political defections, Indian sociologists have all along been concerned with the study of caste system, static village community, joint family system and similar phenomena which have only peripheral importance to the contemporary social life.

The author has defined conflict as a struggle among individuals or groups over the control or possession of productive resources which are either directly or indirectly necessary for social existence or survival of such individuals or groups, when there are no institutional means to bring about equitable distribution of such productive resources which are always relatively scarce.

According to the author religious, caste and racial conflicts are to be interpreted and understood only in terms of inequitable distribution of economic and political power.

To study conflict as a social phenomenon, the author has selected Kerala as his field, and has confined his analysis to coir, cashew and plantation industries where the bulk of industrial force in Kerala is employed. According to the author, this study has special significance because though there has been considerable research in the field of industrial psychology in India, these studies have mostly concentrated on topics like productivity, motivation, work-satisfaction, structure and leadership in trade unions and management-union relationship.

In Kerala, Nairs, Christians and the affluent sections of Ezhavas (a class among outcastes) and Muslims constitute land proprietors, industrialists, traders, educationists and white collar employees in Government and industrial bureaucracy. On the other hand, majority of Muslims, Ezhavas and other outcastes constitute the class of wage labour in all sectors. It is observed that economic interests of upper class Nairs, Christians, affluent Ezhavas and Muslims brought them together in all fields as is evidenced in the formation of united front representing these interests and taking over political power and in the formation of similar alliances in the agricultural, industrial and educational fields. The lower caste Ezhavas, Muslims and other outcastes and less affluent Nairs and Christians are gradually coming together under a common opposition front.

Power Elite

The author observed that management in industries in Kerala are composed of members from upper castes and sects. They also tend to belong to political groups which represent upper class interests in society. When the political groups which represent upper class interests control political power through the Government, the managements in public sector undertakings also tend to be constituted by persons who identify themselves with the upper classes.

In respect of recruitment of workers to industrial establishments, the author observed that managements prefer to recruit people who belong either to upper castes and sects or to upper class sponsored political parties. This results in establishment of pro-management trade unions in industrial establishments. But industrial labour from upper castes and sects constitutes an insignificant minority. Majority of industrial workers coming from lower castes and outcastes have naturally formed their own trade unions in industrial establishments. These unions are highly militant and are affiliated to political parties which represent wage labour. They are also anti-management.

Thus industries in Kerala are characterised by multi-unionism. Whenever a conflict arises in an industrial establishment, pro-management unions are observed to oppose militant anti-management trade unions.

Examining the author's analysis, there should not be any objection to accept some of the views put forward in this book. It should be accepted that Indian society at large is full of conflicts at present and while insisting on mutual cooperation, a better method of ensuring it is to study causes of conflicts and try to remove them.

It should also be accepted that conflicts in wider society get reflected in agriculture, industry and other sectors of society and even at individual level.

But the author's own findings contradict his basic thesis that all conflints at all levels arise because of the pattern of ownership of scarce means of production and absence of institutionalised system of bringing about their equitable distribution. Religion, caste and even sub-castes seem to be playing in Kerala and also in India as important or probably more important role in fomenting conflict. Recent developments in countries of the once monolithic communist block also bear testimony to this fact.

ALL ABOUT TRIBALS

The investigative study, *Tribal Economy of India*: by P. Ramaiah centres round the economic life and activities of scheduled tribes in the Warangal district in Andhra Pradesh. Since it has been accepted that policy of national integration should be evolved and implemented and since tribals in India who constitute around 10 per cent of the total population of the country should be brought into the mainstream of country, this study based on primary data assiduously collected and analysed assumes great significance. What the author has observed about tribals in Warangal generally holds good in regard to tribals in other States in India also. This imparts general significance to this micro-study.

A study of human resources and occupational pattern in tribal areas in Warangal district shows that the tribal economy is predominantly agricultural. Since tribals generally live in hilly and isolated areas, forestry as a source of employment and income assumes great significance. Non-agricultural sectors are generally neglected to the great detriment to the welfare of tribals.

Land Ownership

According to the author, the main agricultural problem in tribal areas is the problem of land ownership. Government of Andhra Pradesh has by legislation conferred on tribals the right of land ownership. But there are cases where tribals still do not enjoy these rights. This would mean that Government will have to take stringent measures to see that land alienation does not take place.

The author observed that the size of land holding is generally small. This proved to be an impediment to the adoption of improved agricultural techniques. It was also observed that tribals do not know much about scientific utilization of green manure which is available in plenty in forests around, and about chemical fertilisers which alone can increase substantially land productivity.

Irrigation plays a vital role in tribal agricultural economy. But this has not received adequate attention. The author has suggested that hydrological surveys to locate ground water should be undertaken and hill-streams and rivulets should be fully harnessed.

Tribal economy is still a purely subsistence economy, production being mainly meant to meet domestic demand. Fortunately some tribals have taken to modernising agriculture. The author has suggested that in order to speed up this process of transforming subsistence agriculture into a surplus one, Government should supply fertilisers, pesticides and other modern agricultural inputs at subsidised rates. It is essential to arouse the interest of tribals in modernising their agriculture. This would be possible if extension service is effective.

The author has suggested that the Integrated Tribal Development Agency recently established in Warangal should follow 'credit-water-fertiliser strategy' for accelerating development of tribal agriculture.

Forestry along with agriculture forms the basis of tribal economy. This would mean that development of forests has a vital bearing on progress, income and living of tribals. The author is of the opinion that adequate attention has not been paid to forest industries and utilisation of forest resources for the well-being of tribals. Proper forest policy can help stabilise tribal agriculture and also provide basis for various forest industries. He has therefore suggested technological study of forest-based industries and export potentialities of timber, processed products and of minor forest produce. He has suggested that tribals should be given subsidy for planting trees and developing forests as also for processing forest produces in which they should be given a reasonable share.

Uni-Sectoral Economy

Tribal economy has for long remained a uni-sectoral economy. Due to limited amount of land, it is absolutely essential to diversify tribal economy. Development of forest industries will help this process of diversification.

The author has therefore suggested that appropriate policies and programmes should be evolved and implemented to create industrial climate and for imparting and improving technical and entrepreneurial skills and knowledge of tribals. There is need to set up and develop appropriate cottage and small-scale industries in addition to strengthening agro-forest-based tribal economy. Unless non-agricultural sectors like industries and services develop, surplus agricultural labour in tribal areas would not find gainful employment. Rapid development of means of transport and communication should receive top priority in tribal regions which are generally hilly and isolated, this being the main cause of their not joining the national mainstream.

The author has suggested that the Girijan Cooperative Corporation which was established in Warangal mainly for the purpose of purchasing and marketing minor forest produce collected from tribals should become the central promotional agency to bring about all-round development of tribals.

One notices that the history of tribal development in independent India has gone through various stages: the state of total isolation and neglect, community development approach, and tribal development blocks. Experience in this regard has finally led to integrated development approach to improve the lot of tribals.

It is necessary that while formulating national, state and district plans, there should be special sub-planning in respect of tribals which should be based on detailed study of each tribal economy and tribal culture,

Tribals in India are the most backward communities and the poorest. They are also the worst exploited. They have been left out for long to live isolated existence. To bring all tribal communities in India into the national mainstream is a stupendous task. But both equity and national integration require that the task receives the highest priority if this vast humanity is not to be condemned to a sub-human type of living.

NEHRU AS HISTORIAN

T.K. Ravindran has made an attempt in his book, *Nehru's Idea of History*: "to analyse the historical mind of (Jawaharlal) Nehru." The author's attempt is to show that without being a trained historian, Nehru understood the task of history and historians correctly and also being a prudent politician, he tried to put the past to use for comprehending the nature and meaning of the problems of the present and also to find guidelines for the future. According to the author, though Nehru possessed a sound historical sense and a particular historical vision and though it was history that roused him to action, this aspect of Nehru's intellectual make-up has rarely been studied and analysed by his biographers so far. According to him, understanding of Nehru's mind and thinking would remain incomplete unless this aspect of Nehru is fully studied and understood.

According to the author, what distinguished Nehru from other political leaders was his historical-mindedness. A man combining in him a historian and a politician will come to realise, as Nehru did, that both are parts of a man as much as thought and action are, and that he should look at things as parts of a larger integrated whole. According to the author, the coupling of a philosophical frame of mind with an empirical and historical sense in him made Nehru "a realist in thought and action but not a parched materialist, a firm spiritualist but not a theist, an idealist but not a defeatist, a visionary but not an eery mystic, a dreamer but not an escapist." Nehru's greatness lies in this that though a man of practical and day-to-day politics, he remained essentially a man of ideas whose historical perspective was not dimmed by his practical politics.

Long prison life gave Nehru enough time to read and ponder over history. He understood the impact and significance of history. And therefore he wrote: "....the past is ever with us and all that we are and that we have, come from the past. We are its products and we live immersed in it. Not to understand it and feel it as something living within us is not to understand the present. To combine it with the present and extend it to the future, to break from it where it cannot be so united, to make of all this the pulsating and vibrating material for thought and action—that is life". To Nehru history meant an unending dialogue between the past and the present and it continues and extends to the future.

Objective Attitude

While a certain amount of subjectivity is inevitable, Nehru wanted that we should bring objective attitude to the study of history, instead of our political passions and religious prejudices. What Nehru emphasised was maximum possible objectivity in the study of history.

The historical inrernationalism of Nehru was a direct outcome of his belief in the unity of all cultures and civilisations. According to him, each country's culture is only a variant of world culture. National cultures are only branches of the main trunk of world culture. It was this historical view that shaped Nehru's views on nationalism and internationalism. His ideas of internationalism and of basic unity among all cultures made Nehru visualise a new civilisation based on human cooperation, equity and world peace. He was much ahead of his times and therefore the above view might appear utopian to common people. But that was the ideal Nehru set before himself and strove for throughout his life. That was the basis of his policy of neutrality and non-involvement in the days of cold war and super-power rivalry among the two blocks. Nehru had firm faith in the future of humanity. freedom, secularism and democracy and in the new international order which was emerging and which he ardently tried to shape on the basis of his deep understanding of history.

A Visionary

Jawaharlal by nature and upbringing was more of a visionary and much ahead of his times. While advocating internationalism and humanism, and as much objectivity as possible in reading and interpreting history (which is absolutely necessary if history is to serve as a true and dependable guide for the future), Nehru brought great amount of subjectivity and idealism to the interpretation of history. He tried to see synthesis even in situations where conflict was dominant. His 'Discovery of India' shows him as a great visionary but not as a true historian.

Being too much of a humanist and internationalist, Nehru misinterpreted history and his synthetic view of history was shattered by the creation of Pakistan and war with China when he was forced to admit that he was living in a dreamland.

And therefore the conclusion is inescapable that instead of reading and interpreting history objectively and allowing history to shape his views, Nehru read and interpreted history in his own image and that of his philosophy. The world at present is full of local, national and international conflicts and violence as never before in the course of human history. Humanity appears to be on the brink of self-annihilation which is the exactly opposite of humanism and international cooperation and peace towards which Nehru saw the world moving.

THIRD WORLD ECONOMY

The twenty articles in *Problems of Economic Development in the Third World* are concerned, according to Dr Kedarnath Prasad, the author, with "the middle level of analysis between pure and formal development theory and detailed empirical studies of specific ptoblems." According to the author, the one common aim of these articles is "to examine the realism and relevance of theoretical concepts and doctrines in relation to the broadly observable patterns and goals of economic development in the Third World countries like India with a view to according them both concreteness and precision." The author has focused his attention on those problem areas and issues of policy formulation that are, according to him, prone to remain as the central concern of the Third World countries in their continuing bid to accelerate their economic development.

Writing about the implications of economic development of developing countries, the author has opined that "the investment pattern needs to be heavily loaded at both ends with opposite factor combinations". At the one end, there should be concentration of basic scarce resources on deep capital-intensive investments composed of social overhead capital, and at the other, there should be investments in labour-intensive projects. According to the author, the former would set the stage for industrialisation with modern technology, while the latter would produce almost immediate impact on the level of employment and consumption pattern of the mass of people.

The industrialised countries of the West were favourably situated during their pre-industrialised stage as regards their population. Total population was small and there was then immense scope and possibilities for international migration. In this regard most of the developing countries face at present a dilemma in regard to population. Most of these countries have large populations which is also growing rapidly because of steeply falling death-rate and fairly stable birth-rate and with hardly any scope of international migration. And therefore whatever economic growth these countries are recording hardly produces any significant impact on living standards of people in general and on rate of saving and investment. According to the author, it is hazardous to predict demographic future of these developing countries. Only a revolutionary social and cultural change can see these countries successfully coming through the problem of population explosion which is debarring them from the possibility of rapid economic progress.

As regards the controversy over balanced versus unbalanced growth, the author has opined that "balanced growth in not a practicable proposition". Balanced growth strategy would be possible only if a country starts with a clean slate and with complete knowledge of all aspects of the economy such as price and income-elasticities, people's preferences and possible changes in them, capital-output ratios in different industries, marginal efficiency of capital in different industries and so on. Our knowledge in all these matters being woefully incomplote any talk of developing countries strictly adopting balanced growth strategy would be impossible.

Plan Assessment

A major part of the book is devoted to assess India's five year plans and her development efforts.

The author has some very pertinent observations to make regarding various objectives of India's five year plans. The list of objectives has gone on lengthening with every new five year plan. The choice of these objectives was often the consequence of political and other pressures. A number of conflicting objectives are mentioned (e.g. growth and equitable distribution of income, national and regional development and so on); but no attempt has ever been made to determine and state explictly the trade-off point. Also, most objectives were never quantified with the consequence that scientific and accurate assessment of actual achievements of our five year plans became almost impossible. This state of affairs continues even at present, though at present some objectives are being quantified (e.g. meeting specific minimum needs of specific number of people or target groups within specified period, etc.).

Analysing the problem of poverty and inequality in India, the author has drawn pointed attention to severe constraints on anti-poverty measures. He fears that redistributive measures would further strain our scarce resources—organisational, administrative and entrepreneural; it would lower the rate of saving; and it would weaken the incentives to work and invest. The author has emphasised that we should disabuse our mind of such self-defeating economic shibboleths as "the greater the tax rates, the greater the socialism" and "the greater the restrictions on big business, the bigger the scope for small industries".

Human Capital

Writing about the social sector such as education, the author has warned that "More caution has to be exercised while directing investment in human capital for the plain reason that whereas a wrong investment in material capital can be scrapped, that in the wrong pieces of human capital cannot, for they tend to be self-perpetuating and not only distort but disrupt the social set-up". This is what appears to have happened to a considerable extent in the field of education in India.

The twenty articles included in this book are all instructive and show Dr Kedarnath Prasad's keen insight and analytical ability. But there are certain shortcomings in this book. The imposing title of the book is misleading. The book is almost entirely concerned with some major Indian economic problems and it cannot be said that problems facing India are typical problems of the third world countries which number more than a hundred.

The book can also be faulted on other grounds. There is hardly any logical sequence in the arrangement of articles in the book. There is also great amount of repetition.

In a sense these are minor flaws. The scholarly articles and notes which carry valuable references for interested students of the subject certainly succeed in giving to readers deeper insight into various complex problems faced at present by India.

Books Received

Eight Furlongs of Freedom : T. K. Ravindran; Light & Life Publishers, 2428, Tilak Street, Paharganj, New Delhi-110055; Pp 372; Price Rs 100.

Political Economy of India : H.A.V. Sharma; Light & Life Publishers, New Delhi-110 055; Pp 569; Price Rs 150.

Freedom Movement in Kashmir : Gulam Hassan Khan; Light & Life Publishers, New Delhi-110055; Pp 523; Price Rs 140.

Problems of Scheduled Castes and Scheduled Tribes in India : A.N. Bharadwaj; Light &Life Publishers, New Delhi-110055; Pp 117; Price Rs 50.

The Law of MRTP in India : H.M. Jhala; N. M. Tripathi Private Ltd. 164, Samaldas Gandhi Marg, Bombay-2; Pp 344; Price Rs 90.

Operations Management in Practice : C.D. Lewis; Heritage Publishers, 4348, Madan Mohan Street, 4C, Ansari Road, Daryaganj, New Delhi-110 002; Pp 454; Price Rs 150 ($30).

Linking Bonus with Productivity : G.K. Suri; Shri Ram Centre for Indusirial Relations and Human Resources, 5 Sadhu Vaswani Marg, New Delhi-110 005; Pp 317; Price Rs 85 ($20).

Islam and Contemporary Muslim World : Anwar Moazzam; Light & Life Publishers, 2428, Tilak Street, Paharganj, New Delhi-110 055; Pp 212; Price Rs 75.

How to Read Slowly : James W. Sire; Select Books Pnblishers & Distributors, 105, Savitri Building, Greater Kailash-II. New Delhi-110 048; Pp 178; Price Rs 80 ($16).

Schools and Mental Abilities : P. Sandeep; Light & Life Publishers, 2428, Tilak Street, Paharganj, New Delhi-110 055; Pp 205, Price Rs 80.

Responsibility of Sikh Youth : Trilochan Singh; Light & Life Publishers, New Delhi-110 055; Pp 107; Priee Rs 25.

A Practical Guide to Industrial Entrepreneurs : S.B. Srivastava; Sultan Chand & Sons, 23 Daryaganj, New Delhi-110 002, Pp 344; Price Rs 40.

Switchgear and Circuit Breaker Industry

SWITCH GEAR industry is one of the sophisticated line of the engineering sector. In the low tension range, air circuit breakers, and oil break type of circuit breakers are being manufactured. During the last six years moulded case type circuit breakers have also been introduced.

Circuit Breakers

The licensed and installed capacity for LT circuit breakers is 65,325 and 53,015 respectively per annum. A capacity of 54,800 is covered by letters of intent which are under various stages of implementation.

The production of LT circuit breakers (for DGTD units) during the last 3 years 1976-79 are 17,093 13,752 and 15,708 respectively.

Almost the entire requirement of LT circuit breakers is met from the indigenous production and there has been hardly any import except for a new specailised types of breakers, primarily replacement for existing requirement.

The material used in the manufacture of circuit breakers include various steel sections, insulation materials, alloy steel, aluminium and copper which are generally available indigenously. Special type of insulating materials like moulding powders and bimetal strips are being imported.

Though broadly the capacity likely to be on ground will be sufficient to meet the demand in the next 3-4 years, for manufacture of conventional circuit breakers, and DC circuit breakers, well conceived schemes, particularly compact design circuit breakers, could be considered on merits having regard to the need for modernisation and improvement of designs.

Foreign collaboration for the manufacture of circuit breakers of sophisticated designs as well as import of drawing and designs to improve the performance of the existing breakers will be considered on merits.

High tension circuit breakers are being manufactured in various voltages from 66 volts onwards upto 400 KV rating. At present both minimum oil type and air blast type are being manufactured. Steps have been taken to introduce SF6 'Sulphahexaflouride' type circuit breakers particularly in the rating of 132 KV and above.

Licensed Capacity

The licensed capacity for HT circuit breakers is 19,907 per annum. A capacity of 2,100 per annum is covered under letters of intent. The installed capacity for HT circuit breakers is 16,462 per annum against which the production of HT circuit breakers for DGTD units during 1976-79 were 8,832, 6,869 and 7,245 respectively.

The present demand for HT circuit breakers of minimum oil and air blast type is by and large being met from capacity of around 44 per cent and in any increase in demand of these types of equipment could be met by the existing capacity. However, keeping in view the constant need for updating the technology, modernisation and improvement of designs, well conceived schemes particularly for circuit breakers of higher breaking capacity could be considered. In foreign collaboration cases liberalisation has been made for the import of designs and drawings for quality improvement and diversification.

Motor Starters and Contractors

In motor starter industry various types of starters such as direct on line starters, star-delta starters and oil immersed starters, both ordinary and flame proof type and the various types of conductors for a rating upto 600 amps for applications like steel mills, crane controls etc. are being manufactured. There are 16 units in the organised sector. The present licensed capacity for the motor starters and contractors of various types is 1,956,396 and a capacity of 400,000 is covered by letters of intent. The installed capacity for motor starters and contractors is 1,353,396

The production of DGTD units for motor starters and contractors during 1976-79 are 947,222 826,000 and 854,000 respectively

The indigenous raw materials available in this industry are certain mild steel sections and sheets, insulating materials and copper strips. The imported raw materials are resistance wires and strips, stainless steel wires, bimetal strips and copper.

Besides the capacity already approved some cases for expansion and creation of new capacity are already being considered by the Ministry of Industry. Considering the capacity already in the pipeline, it is felt that in case all this capacity materialises, then there will be no need for creation of additional capacity. Even then, schemes for the manufacture of motor starters and contractors of various ratings including DC contractors could be considered.

STATE OF THE ECONOMY

Reduced Sickness of Small Units

THE SICKNESS trend in small scale units, both unit-wise and outstanding-wise has declined in the second half of 1980 as compared to the larger increase in the first half of 1980, according to the data of the Reserve Bank of India. During the half year ending June 1980, there was an addition of 1484 small-scale units in the sick list whereas in the subsequent six months i.e. during the half year ending December 1980, increase in the number of sick units was 930 only. This also reflects a corresponding reduction in the rate of increase in the value of the outstanding bank credits against the sick units from Rs 24.21 crores to Rs 12.37 crores during the same period. The Reserve Bank of India's data have also shown that nearly 47 per cent of the total sick units are non-viable for revival. Out of the 22 per cent of the viable units, over 63 per cent have already been taken up under the nursing programme for revival. It is also understood that over 96 per cent of the sick units are having bank accounts with the nationalised banks or with the State Bank of India.

Wholesale Prices

With a marginal decline in the official wholesale price index for all commodities to 284.7 points during the week ended October, 17 after an uptrend for the previous three straight weeks, the inflation rate worked out to be is a little more than seven per cent. The index was 285.2 points during the previous week. An appreciable fall in prices of oils and oilseeds pulled the index. The index for food articles moved up by one per cent, mainly due to increase in prices of milk, spices and condiments,. The index for non-food articles fell by 2.9 per cent and for food products by 1.4 per cent.

Rupee-Pound Exchange

The Reserve Bank of India has announced a downward revision of the rupee by 1.19 per cent in relation to the pound sterling. The spot buying and selling rates are so fixed, as to give a middle rate of Rs 16.85 per pound sterling compared with the earlier middle rate of Rs 16.65.

The new buying and selling rates for spot delivery are: Buying pound sterling 5.9488 per Rs 100 (corresponding to Rs 16.81 per sterling); Selling pound sterling 5.9207 per Rs 100 (corresponding to Rs 16.89 per sterling).

Danish Loan

An agreement for Danish credit of Dkr. 150 million (about Rs 19 crores) was signed recently by Mr Bjorn Olsen, Ambassador for Denmark in India and Mr S.V.S Juneja, Additional Secretary, Union Ministry of Finance. The new loan will finance the consultancy services of M/s Haldor Topsoe for Thal Fertilizer Project and part of the cost of a Fisheries Oceanographic Research Vessel contemplated to be procured from Denmark.

As in the past, the new credit is interest-free and is repayable over 35 years including a grace period of 10 years. Denmark has been providing assistance to India since 1963. Together with this loan signed the total loan assistance by Denmark to India amounts to Dkr. 455 million (approximately Rs 57.8 crores). In addition, Denmark has been providing grants on an annual basis. The major projects recently agreed to be funded from such grant are the health care programme in seven districts of Madhya Pradesh and two districts of Tamil Nadu involving Dkr. 254 million (about Rs 30 crores). A major rural water supply project in Orissa is also under consideration for use of Danish grant funds.

Export Duty on Groundnut

Having regard to the fall in international prices of H.P.S. groundnut, the Central Government have decided to reduce the export duty on groundnut kernel from Rs 3,000 per tonne to Rs 1,500 per tonne and on groundnut in shell from Rs 2,250 per tonne to Rs 1,125 per tonne with effect from October 20, 1981.

Rebate on Tea Excise

The Government has decided to grant a rebate of basic excise duty of forty paise per kilogram and the consequent special excise duty of four paise per kilogram on export of unblended tea otherwise than directly from tea gardens.

Export Price of Basmati Rice

The minimum export price of basmati rice has been increased from Rs 5,500 per tonne to Rs 6,000 per tonne, it was officially announced on October 29. At present export of basmati rice is allowed under OGL-3 subject to minimum export price of Rs 5,500 a tonne. The decision to increase the price was taken on a review of the situation, according to the official notification.

Scope for Cut Flower Exports

Soviet Union has evinced interest in importing cut flowers from India in as much quantity as can be offered to them at a reasonable price in winter season, provided the required quality and prompt delivery are ensured. This was indicated when an Indian trade delegation on floricultural products led by Mr. C. Venkataraman, Additional - Secretary in the Ministry of Commerce recently visited Moscow. The delegation which was comprised of representatives of the growers from different regions besides a representative of STC, visited USSR, West Germany and Netherlands to explore the possibilities of developing export of floricultural products and for setting up joint ventures in this field.

The total import of flowers in Europe in 1978 was of the order of US $ 850 million. West Germany, which is the largest importer of cut flowers, imports flowers worth US$ 570 million. Russia also imports considerable quantities of cut flowers. About 20 per cent of the imports of cut flowers originate from non-European countries but India's share in the world exports is negligible, in spite of excellent climatic and soil opportunities for cultivation of flowers.

Biggest Market

West Germany, which is the largest consumer of cut flower, imports flowers mainly from Holland but also from far off countries like Singapore, Kenya, Israel etc. They insist on having superior quality especially those grown in glass houses or at least plastic houses. Glass house cultivation is preferred because the yield obtained is ten times greater and the crop reliability increases. Uniformity in growth of flowers is also ensured under controlled condition of cultivation. Glass house grown flowers are sold at a premium compared to open field-grown flowers. The cost of cultivation under glass houses in the cold European countries is increasing on account of the energy costs and alternate source from warmer countries are bound to be welcome. West Germany does not grow Gladioli in winter and India can have a foothold in this market in winter season. Roses of right quality and variety from India can also fetch reasonable prices in that market.

Import of Sports Goods

The Union Government has notified licensing conditions for the import of gymnastic and sports equipment under the Japanese grant of 50 million yen during the current financial year.

According to the notification, the Japanese grant is to be used for financing payments to suppliers there for the import of the above items by the society for the National Institutes of Physical Education and Sports of India.

The import licences will be issued for an aggregate amount not exceeding 51 million yen (c.i.f.) in favour of the importers.

No remittance of foreign exchange will be allowed against the import licence, except bank charges to the Bank of India, Tokyo, which may be remitted through normal banking channels.

The equipment should be procurred only from Japan under this grant.

The import licences will be issued on c.i.f. basis with an initial validity up to March 31, 1982. In case extension is needed, the party should submit to the Chief Controller of Imports and Exports a proposal seeking extension in the validity period along with explanation as to why the shipment and payments could not be completed.

The contract should provide for payment on cash basis, that is, on presentation of shipping documents by the Japanese suppliers to the Bank of India, Tokyo. It should also provide for the delivery to be completed by March 15, 1982.

The contract value (c & f basis only) should be expressed in yen and should exclude Indian agent's commission, if any.

Excise Duty on Excess Sugar Production

Government has decided to grant rebate in central excise duty at the rate of Rs 23.55 per quintal for free sale gugar and Rs. 15.30 per quintal for levy sugar as an incentive for yearly crushing of sugar cane, so that the plentiful crop expected this year may be fully utilised for sugar production. The rebate is applicable to sugar produced in a factory during the period commencing from October 28, 1981 and ending with November 30, 1981, which is in excess of the production during the corresponding period of 1980-81 sugar year, subject to certain conditions.

Foodgrains Production

Foodgrains production in the country during 1980-81 was 129.87 million tonnes, according to the final estimates released recently. This marks an increase of 18.4 per cent over the previous year's production of 109.70 million tonnes. It is, however, considerably lower than the original target of 133 million tonnes fixed by the Government. Production during 1980-81 is 1.5 per cent lower than the previous record foodgrains production of 131.5 million tonnes in 1978-79.

Wheat yield during the year has been estimated at 36.46 million tonnes, which is almost half a million tonnes higher than the earlier estimates of 36 million tonnes. Wheat output in 1978-79 was 35.5 million tonnes while the latest revised estimates placed production in 1979-80 at 31.83 million tonnes.

Final estimates for rice are pegged at 53.2 million tonnes, which is 25.8 per cent higher over the previous year, an official release states. This is about one per cent lower than

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the previous record production of 53.77 million tonnes achieved in 1978-79.

Coarse cereals production during the year has been estimated at 29.01 million tonnes. This is higher than last year by 7.6 per cent, though it falls short of the previous best production by 4.7 per cent.

The output of pulses in 1980-81 has been placed at 11.17 million tonnes marking a rise of 30.3 per cent over the previous year's production of 8.57 million tonnes.

The following table gives at a glance the final estimates for 1980-81 and the latest revised figures for 1979-80.

Crop	Production (Million tonnes)	
	1980-81 (Final estimate)	1979-80 (Latest revised)
Rice	53.23	42.33
Wheat	36.46	31.83
Coarse Cereals	29.01	26.97
Pulses	11.17	8.57
Total Foodgrains	129.87	109.70

The crop year 1980-81 started well and promised to give a record crop. However, kharif crop suffered heavily from drought in the closing part of the monsoon season in Rajasthan and parts of Andhra Pradesh, Karnataka and Tamil Nadu.

Failure of north-east monsoon during October-December gave a severe setkack to 'samba', the main paddy crop of Tamil Nadu.

Gram crop in Haryana and Rajasthan suffered from drought and other unfavourable weather conditions in the rabi season while wheat in Punjab suffered damage from heavy rains and hailstorm in the second fortnight of March, 1981. In short, the crop year 1980-81 was characterised by unfavourable weather conditions both during the kharif and rabi seasons in several regions of the country. Notwithstanding the adverse weather conditions in the crop year 1980-81, several States registered a remarkable recovery in foodgrains production as compared to the previous year.

MICO Secures Soviet Export Order

Motor Industries Co Ltd (MICO) has for the ninth consecutive year secured an export order for the supply of spark plugs to the Soviet Union for the year 1982. The order is for a quantity of five million spark plugs which is the highest in any one year so far and is worth about Rs 2 crores. The entire quantity is to be shipped during the year 1982. The contract was signed in Moscow on October 19, 1981 by Mr Petrov of V/O Avtoexport, Mr S. Loganadan, Divisional Manager (Sales) of MICO, and Mr Ajit Pant of Projects & Equipment Corporation, Moscow. With this, the total value of spark plug orders secured by MICO from the Soviet Union exceed the figure of Rs 8 crores.

Braithwaite's Reorganisation

The Union Government's decision to reorganise Braithwaite Burn and Jessop (BBJ) Construction Company which may mean termination of employment of some permanent staff is being strongly opposed by the West Bengal Government. Mr Jyoti Basu, Chief Minister has asked for a meeting with Mr N.D. Tiwari, Union Minister for Industry and Labour in a letter sent on October 22.

Mr. Basu's principal fear is that sacking so many employees at this point of time will not only mean hardship for those who will be thrown out of job but will lead to serious labour unrest in the other constituent units working on the second Hooghly bridge for which BBJ is one of the contractors. It will also in all probability affect the work on the second Hooghly bridge which will mean that costs will escalate still further.

The reorganisation plan has been on the anvil for over a year and the State Government has ever since indicated its strong objections to the idea. Mr. Basu in this latest communication to the Centre has asked that the status quo at BBJ be maintained till at least the work on the second Hooghly bridge is completed. He has also said that offering termination benefits to BBJ employees who will be rendered surplus once the Victoria works and site offices are closed down will not in all likelihood be accepted by the affected persons.

Iron Ore for Pakistan

Pakistan has raised its import of iron-ore from India to the extent of about 56 per cent during the current year. This follows a fresh agreement signed recently between the state owned Minerals and Metals Trading Corporation (MMTC) and the Pakistan Steel Company located in Karachi.

Under this agreement, Pakistan will import a total of 1.25 lakh tonnes of iron ore from India during the current year, as against a total quantity of 80,000 tonnes contracted earlier of supplies during 1981-82.

This is indicative of the Pakistan's intention to gradually raise its iron ore imports from India so as to meet its growing requirements, which in any case are wholly import oriented.

With this agreement India will be meeting about 30 per cent of Pakistan's iron-ore import requirements as against merely 16 per cent envisaged earlier. The balance quantities of iron-ore requirements are being met through imports from Australia and Brazil at highly uneconomic prices.

The agreement which was concluded after hectic negotiations between the two countries is said to be a pace-setter for future iron-ore trade between the two countries, particularly in view of the fact the two countries have shown tremendous reciprocity and understanding.

The recent vist of Mr Daya Dhaon, Chairman, Minerals and Metals Trading Corporation to Karachi for the inauguration of the Pakistan's only steel mill is said to have paved the way for increased export of iron ore.

Indo-Thai Talks on Double Taxation

A Tax Delegation from Thailand led by Mr Paicritr Rojanavanich, Deputy Director General, Revenue Department, Thailand visited New Delhi for talks for the conclusion of a double taxation avoidance agreement between India and Thailand. The Indian tax delegation is led by Mr Jagdish Chand, Chairman, Central Board of Direct Taxes, New Delhi.

Unit Trust

The Unit Trust of India had yet another hard year because of new competitive pressures like the entry of public sector companies in deposit mobilisation and the upward revision in the interest rate structure for bank deposits.

The result was that for the year ended June 30, 1981, UTI sales decreased by 10 per cent and repurchase of units increased by 22 per cent. But the trust rose to the occasion and as a result of prudent deployment of funds and careful portfolio management, income shot up to Rs 60.12 crore against the previous year's figure of Rs 47.55 crore.

In spite of the unfavourable situation faced by the trust, the unit holders had a happier time—the dividend rate on ordinary units was raised to an all-time high of 11.5 per cent (10 per cent) and on unit-linked insrurance plan, the dividend was increased from 8.50 per cent to 8.75 per cent.

A disquieting feature of 1980-81 operations is that although the averae decline in unit sales is only 10 per cent, the decrease in the case of ordinary (main) units is as high as 21 per cent. Since no new factors have emerged after June last, the current year is likely to be a still harder year for UTI.

There is, however, some possibility of higher dividend rate providing an attraction for investment in units.

The unit capital by the end of June last, has gone up to Rs 425.35 crore (Rs 390.89), a net increase of Rs 34.46 crore during the year. The number of unit holding accounts has crossed the one million mark and now stands at 1.05 million. The investible funds have recorded a rise of Rs 56.18 crore to Rs 523.22 crore (Rs 467.04 crore).

With a view to meeting the competitive pressures, the Trust made improvements in the unit schemes. In respect of unit-linked insurance plan, the target amount has been raised from Rs 12,000 to Rs 24,000.

Another eight chief representatives have been appointed, raising their number to 45, covering 67 districts in 18 States and Union Territories. For the first time in its history, the trust has set up State-level offices—one at Ludhiana in Punjab and the other at Trichur in Kerala—to popularise units in the rural hinterland and to provide prompt and personalised service to unit-holders.

Industrial Registration Rules Simplified

The Ministry of Industry has amended certain provisions relating to registration and licensing of industrial undertakings rules. According to a press note issued by the Ministry, the fee for obtaining registration certificates under section 10 of the Industries (Development and Regulation) Act has been steeply increased from Rs 10 to Rs 500 to bring it on a par with the fee prescribed for obtaining industrial licences and COB licences. The fee for obtaining duplicate copies of the registration certificates licences has also been raised from Rs 5 to Rs 25.

The procedure for depositing fees has been rationalised to be in accordance with the scheme of departmentalisation of accounts and the fee has now to be deposited through crossed demand draft on the State Bank of India, Nirman Bhawan, New Delhi in favour of Pay and Accounts Officer, Ministry of Industry (Department of Industrial Development) New Delhi, instead of through treasury challan in the Reserve Bank of India or State Bank of India. Forms 'A' & 'B' appended to the rules have been omitted. In form 'C' appended to the rules, after item 4, the following item has been added. namely: "Location of Undertaking Tehsil, District, State'.

Names in the News

Dr S. Varadarajan. took over as Chairman & Managing Director of Engineers India Limited. Prior to this, Dr Varadarajan was Chairman & Managing Director of Indian Petrochemicals Corporation Limited since 1974. Dr Varadarajan is a member of the Oil Industry Development Board of the Government of India and a member of the Public Enterprises Selection Board.

Mr S.L. Baluja has taken over for a three-year term as Chairman and Managing Director of Punjab National Bank effective from October 21, 1981.

Mr Baluja joined Punjab National Bank in 1943, worked in various capacities and rose to be its General Manager. He has travelled abroad extensively in UK, USA, Europe, Middle-East, Far-East, etc.

Mr S. L. Baluja

Readers' Roundtable

Soviet Propaganda in India

Sir, Soviet propaganda in the country is the fiercest and the most extensive of all foreign propaganda.

Russians fly out to India on an average 10 tons of propaganda material a day, besides thousands of tons that come by sea every year. They spend on propaganda in a month what Americans spend in a year. In 1979 they imported 1950 titles, 550 new and the rest old ones. They sell these well-produced propaganda books at ridiculously low prices.

Soviets publish half a dozen magazines in India. Out of them, *Soviet Land* appears in 13 Indian languages. These journals consume 300,000 kg. of paper every month. In 1975, 550,000 copies of the *Soviet Land* were distributed, eight time the circulation of *Span*.

Soviets invite parties not only those who are in some power but also those who they think will be in a position of power. A large number of Lok Sabha MPs have been invited to USSR at some time or other, many long before they became MPs.

During 1979, India sent 110 delegations to the USSR and East Europe; we received 140 in return. Soviets are very generous with scholarship. Over 200 Indian students are invited every year through Ministry of Education. About 20 workers of All India Peace Council go to USSR every year.

Soviets cultivate not only editors and senior journalists but also reporters and sub-editors who actually matter more in day to day work.

Soviets have other advantages in their propaganda sweepstakes. The CPI and a host of pro-CPI organisations are its propaganda agencies. Then there are tens of branches of Indo-Soviet Friendship Society with a membership of 200,000.

There are 3000 high-level engineers in our public sector units who were trained in the Soviet Union. They influence the Indo-Soviet economic connection. Through the activities of Indo-Soviet Friendship Society branches in the public sector units they are constantly exposed to Soviet propaganda. At the top of it there are 300,000 skilled workers in our public sector units who have been trained by Soviet specialists.

Then there is the new Friends of the Soviet Union which is quite active and enjoys the support of the Congress (I).

Lastly there is the Peoples Publishing House with 70 branches in the country and its agents active in every nook and corner of the country.

Alarmed at the magnitude of this Soviet propaganda in India on March 1981 the External Affairs Ministry sent out a circular to all foreign missions here asking them to send samples of their publications and their circulation figures. They were also politely reminded of the Vienna Convention which states that the diplomatic mission have a duty not to interfere in the internal affairs of the receiving country. The Soviet propaganda amounts to such an interference. The Soviets have not replied by October.

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COMPANY AFFAIRS

Southern Petrochemical's Record Year

IN THE year ended June 30, 1981, Southern Petrochemical Industries Corporation Limited has achieved the highest levels of production, turnover and profits for any year since its commissioning. The operations of the year 1980-81 yielded a gross profit of Rs 36.44 crores and net profit of Rs 14.64 crores, after providing Rs 10.78 crores for depreciation and Rs 11.02 crores for interest charges. Out of the net profits, a sum of Rs 5.25 crores has been appropriated towards development rebate reserve. The increase in net profit over the previous year was 76 per cent, while sales at Rs 211 crores were higher by 66 per cent.

The company produced 4.39 lakh tonnes of urea and 1.39 lakh tonnes of DAP. All the plants performed well, establishing a capacity utilisation of over 80 per cent. Despite the loss of 45 days due to the annual turnaround, the production this year was higher as compared to earlier years. The turnaround helped in the better performance of the plants. Power restrictions curtailed the operations of the sulphuric and phosphoric acid plants for about five months.

The company achieved a sales volume of over a million tonnes for the first time, including 558,000 tonnes of imports handled on behalf of the Government of India. Various augmentation and debottlenecking measures such as storage tanks for high aromatic naphtha and purge gas recovery unit have been commissioned during the year. Further, the installation of storage tanks for imported ammonia and work on the second train of DAP (capacity 0.16 million tonnes) are well under way.

Sakti Sugar

Sakti Sugars Ltd has once again achieved the distinction of being the largest producer of sugar in southern India for the third year in succession.

The quantity of cane crushed during the 12 months ended June 30, 1981, was also the highest in southern India. It was 649,000 tonnes against 624,000 tonnes in the previous year.

The working results for 1980-81, however, have shown a decline due to many imponderable factors, including a much higher price for cane (Rs 14.60 crore against only Rs 9.24 crore previously) and lower sales of alcohol due to reduced offtake from industrial consumers due to stiff State Government levies.

The turnover has increased modestly to Rs 23.83 crore from Rs 23.09 crore in the previous year. The profit before depreciation and taxation has been Rs 241.26 lakh against Rs 312.48 lakh in the previous year when the price of cane was lower and there was a higher sale of alcohol.

The disposable profit during the year under review, namely 1980-81, has however, risen very sharply to Rs 176.04 lakh against only Rs 6.07 lakh in 1979-80 when unprovided depreciation totalling Rs 306.41 lakh absorbed almost the entire profit. Hence, the dividend on equity share capital has been raised to Rs 17.5 per cent (taxable) from 12 per cent (taxable) on account of the larger disposable profit available.

The equity capital is being doubled with the issue of new equity shares of Rs 10 at par on a right basis to existing share holders. These shares will be eligible for the full dividend for 1981-82. This is being done to meet the cost of balancing equipment and improving working capital.

The company has also plans for diversifying its activities. A letter of intent has been received for undertaking manufacture of 10,000 tonnes of paper per year out of bagasse.

Good Going by Blow Plast-VIP

Blow Plast Ltd and its wholly owned subsidiary company V.I.P. Industries Limited have achieved a consolidated turnover of Rs 1844 lakhs during the year ended July, 1981 which shows a substantial increase of 32.6 per cent over the previous year's consolidated turnover of Rs 1391 lakhs. This is in trend with the remarkable average annual growth rate of over 50 per cent achieved during the last three years. Consolidated profit before tax and depreciation of the two companies amounted to Rs 217 lakhs as compared to Rs 111 lakhs during the previous year. After providing for depreciation of Rs 50 lakhs (Rs 31 lakhs) and taxation of Rs 25 lakhs (Rs 12 lakhs) the two companies have added Rs 167 lakhs (Rs 68 lakhs) to their net worth .

The Board of Directors of Blow Plast Limited which has achieved a pre-tax profit of Rs 78 lakhs, have recommended dividend at the rate of 25 per cent on Rs 60 lakhs equity share capital and 9.5 per cent on Rs 15 lakhs preference share capital which will absorb Rs 16 lakhs (Rs 16 lakhs). Provision for taxation of Rs 25 lakhs (Rs 12 lakhs), transfer to investment allowance reserve of Rs 12 lakhs (Rs 7 lakhs) and transfer to general reserve of Rs 14 lakhs (Rs 6 lakhs) are the other financial highlights of Blow Plast's continuously improving performance.

The subsidiary company V.I.P. Industries Ltd (who changed their name during the year from Aristo Plast Limited achieved a gross profit of Rs 139 lakhs (Rs 61 lakhs). Percentage to sales ratio will be 11.4 per cent as against 6.4 per cent in 1979-80. After providing for depreciation of Rs 38 lakhs (Rs 23 lakhs) and with no tax liability as in the last year, the net profit has shown an impressive increase to Rs 100 lakhs (Rs 69 lakhs). Appropriations out of the profits have been Rs 25 lakhs (Rs 22 lakhs) towards investment allowance reserve and Rs 76 lakhs (Rs 16 lakhs) towards general reserve. With this the company's net worth has crossed the Rs 2-crore mark at Rs 201 lakhs as against an investment of just over Rs 8 lakhs made by its holding company, Blow Plast Limited.

Haryana Coated Papers

Haryana Coated Papers Ltd, fared better for the year ended May 31, 1981. While the turnover has risen from Rs 88.02 lakhs to Rs 96.04 lakhs, the gross profit has gone up from Rs 13.85 lakhs to Rs 15.10 lakhs.

After providing. Rs 4.88 lakhs for depreciation (Rs 4.59 lakhs) and Rs 45,000 for investment allowance reserve (Rs 34,500), the net profit is higher at Rs 9.77 lakh against Rs 8.91 lakh. After writing off Rs 1.69 lakh being preliminary issue expenses and adjusting Rs 6.20 lakh being brought in debit balance, there is a surplus of Rs 1.87 lakh which is carrried forward. The dividend for the year is proposed to be passed over.

Sudershan Silk

Sudershan Silk Mills, a parnership firm manufacturing synthetic fabrics, is setting up a processing plant of synthetic fabrics at Vapi in Gujarat, about 200 km. from Bombay with a capacity of 15,000 metres per day. The processing plant, which is coming up in the private sector, will go on steam by March, 1982, it is stated by the sponsors of the project. The estimated project cost is Rs 2 crore. The company's share capital of Rs 60 lakh will be supplemented by a cash subsidy of Rs 19 lakh and term-loans of Rs 96 lakh from the public financing institutions.

According to Mr C.P. Goenka and Mr R.C. Bagrodia, two Directors of this concern, the plant and machinery of the new synthetic fibres project will be indigenous. The labour complement required is 300. With an expected turnover of Rs 12 crore per annum in a normal year, the plant will start yielding returns from the second year of its operations. The expected production is 12,500 metres per day from March 1982. The output will increase at the rate of 20 to 25 per cent in the subsequent years, promoters of the plant predict.

IDL Chemicals

IDL Chemicals Ltd has not converted the letter of intent for the manufacture of 30 million metres of detonating fuse in Maharashtra into an industrial licence in view of the insistence by the Government on export guarantee.

The Directors state in their latest report that as a result of a review of the country's requirements of detonating fuse, it was felt that the additinal detonating fuses could be made available by the company's unit at Hyderabad. Further, in view of the prevailing international market situation it was not feasible to give an undertaking on exports.

The installed capacity of the denotating fuse plant at Hyderabad of 22.50 million metres has been regularised by the Central Government as licensed capacity, which was earlier placed at 12.10 million metres. The company has applied to the Central Government for the conversion of the letter of intent for manufacturing 1,440 tonnes of metres in Bhiwandi, Maharashtra, into an industrial licence.

As already reported, the company has fared better during 1980-81. The turnover has gone up from Rs 27.83 crore to Rs 33.86 crore and the profit before tax from Rs 2.96 crore to Rs 3.21 crore. The equity dividend is proposed to be stepped up from 8 per cent to 12 per cent. The Rs 10 paid-up shares of the company have recorded a modest improvement from Rs 16.50 to Rs 17.25 in Bombay.

Jayant Paper

The Directors of Jayant Paper Mills Ltd propose to maintain the dividend of 20 per cent for the year ended June 30, 1981.

Both sales and profit have been higher. While sales have gone up from Rs 4.15 crore to Rs 4.53 crore, the gross profit has risen to Rs 66.19 lakh from Rs 64.90 lakh in the preceding year.

After providing Rs 20.94 lakh for depreciation (Rs 18.38 lakh), Rs 5 lakh for investment allowance reserve (Rs 5.20 lakh) and Rs 23.42 lakh for taxation (Rs 24.80 lakh), the net profit amounts to Rs 16.90 lakh (Rs 16.52 lakh). A sum of Rs 6.95 lakh has been transfered to general reserve.

Lipton India

The Directors of Lipton India have struck a note of cautious optimism about the company's outlook for 1981-82. They say that at the commencement of the new year the margins and volumes were at satisfactory levels owing to the corrective steps taken by the management. They believe the company will continue to trade profitably.

Although the turnover for 1980-81 was better at Rs 69.28 crore, the company incurred a larger loss of Rs 2.46 crore compared with Rs 97 lakh in the preceding year.

It is pointed out, however, a loss of as much as Rs 2.65 crore was incurred in the first half of the year itself. In fact, a recovery was registered, as anticipated, in the second half of the year. This turn-around resulted mainly from completion of the process of winning back the market share and volumes eroded during the strike in 1979.

The strategic and structural changes announced earlier have since been more fully implemented and have made a significant contribution to the improvement in the working of the company, the Directors stated.

The deficits for 1979-80 and 1980-81 have totalled Rs 3.48 crore. This has been brought down to Rs 2.61 crore after adjusting Rs 85.65 lakh standing to the credit of general reserve.

Thus, as against a paid-up

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capital of Rs 3.75 crore, the aggregate reserves amounted to a mere Rs 17.85 lakh as on June 30, 1981.

It remains to be seen whether the company will be able to earn a profit which is adequate to wipe off the losses of earlier years and enable the company to return to the dividend list. Perhaps, the company will be in such a happy position if the Government responds favourably to the demand of the tea industry for the provision of fiscal and other reliefs without much delay.

Modern Threads

Modern Threads (India) Ltd is setting up a spinning mill with a registered capacity of 50,000 spindles and an initial installed capacity of 12,376 spindles for the manufacture of sewing threads and industrial yarn, at Raila village in Bhilwara district, a backward district of Rajasthan.

The threads and industrial yarns are today in a short supply and widely used in the manufacture of filter cloth, tarpaulins taps, fishing nets, carpet backing, industrial ropes, canvas cloth, beltings, embroidery and other sewing works.

Machinery has started arriving at site. Erection and installation of plant and machinery is in full swing and will be completed in stages by January next.

The company has already started trial production on 3,000 spindles this month. The entire spindlage will be installed by December and will be in production by January next. The project has gone into production in a record time of six months from the date of acquiring the land. The company is coming out with a public issue soon.

Asia Automotive

Asia Automotive Chairman, Mr D.C. Anand, has told the annual general meeting that the company has performed well during the year ended April 30, 1981. Although the turnover of the company has increased marginally to Rs 1037 lakh the gross profit for the year has recorded a growth of 17 per cent.

The company has declared a dividend of 12 per cent, resulting in a substantially higher pay-out of Rs 11.40 lakh as against Rs 6.22 lakh in the previous year.

According to Mr Anand, the performance during the first five months of the current year is encouraging. The company has initiated several cost-reduction steps and outlook for the year is good.

Mr Anand has said that the company has recently received a letter of intent for the manufacture of products associated with welding electrodes currently being manufactured by the company and copper alloys. The company has signed a technical collaboration agreement with Johnson Matthey Metals Ltd, UK, for manufacture of copper alloys and welding electrodes. The alloys projects has made a good progress during the year and commercial production of copper alloys is expected soon.

The company is now considering further diversification of manufacturing activities and the Directors have identified some projects and appropriate foreign collaborators.

Maharashtra Scooters

Mr Rahul Bajaj, Chairman of Maharashtra Scooters Ltd has told the shareholders at the company's annual meeting in Pune that the production of scooeters during the first three months of the current year was 7,866 pieces against 6,843 in the same period of last year.

Barring unforeseen circumstances, the production is expected to reach more than 30,000 pieces during the current year. The company has already applied to the Central Government for regularising its licensed capacity from 24,000 to 34,000 scooters per year and the permission is awaited. The sales of the company during the period have been Rs 476 lakh against Rs 387 lakh in the same period of last year.

United Diamonds to Enter Capital Market

United Diamonds Limited will be entering the capital market on November 18, 1981 with a public issue of 608,400 equity shares of Rs 10 each for cash at par.

United Diamonds Limited, a company from the United Group, has been promoted by Mr Raj Kumar Gupta, who is a qualified and experienced engineer. The group of companies promoted by Mr Raj Kumar Gupta and his associates in the United Group are engaged in diverse activities ranging from precision industry, chemicals and pesticides, plastic industry, medical diagnostic centres, real estate development and providing consultancy services in India and abroad.

United Diamonds Limited has set up a plant for the manufacture of 15 million watch jewels per annum in the industrial estate at Parwanoo in Himachal Pradesh. The project for the manufacture of 15 million watch jewels was implemented by the promoters in a record time of 16 months.

Two distinctive features of the working of United Diamonds limited are : Hundred per cent capacity utilisation has been achieved in the first year itself while it was projected to be achieved in the fourth year as per the project report; and it is the only unit in the country which is manufacturing all types of watch jewels required by the various watch manufacturers in the country.

The company has been set up in foreign technical collaboration with M/s Cheval Freres S.A., France, who are one of the world's most renowned manufacturers with over 80 years of specialisation in this field.

The public issue by the company is to finance its expansion plans and has got itself registered with DGTD, Ministry of Industry for increase of its annual licensed capacity from 15 million to 40 million watch jewels. The company has decided to go in for its expansion programme in two phases. In the first phase, the company is increasing its capacity from 15 million to 30 million watch jewels per annum which will significantly improve the profitability of the company. The expansion project is expected to commence commercial production by January, 1982.

Since the plant is located in a backward area, the company is eligible for backward area tax concessions making shareholders eligible for benefits under Section 80CC of the Income Tax Act, 1961.

In view of the excellent performance of the company, French technical collaborators, market acceptability of the product, sound management, and the fact that it is already earning profits, the public issue is expected to evoke a good response.

TELCO

The improved results during the first half of the year 1980-81 are satisfactory, according to Mr S. Moolgaokar, Chairman & Managing Director, Tata Engineering and Locomotive Co. The installation of power generating capacity at Jamshedpur and Pune, as also the improvement in the availability of power from Damodar Valley Corporation, enabled their factories to make a significant increase in production. Production of vehicles during the first half of the year was 20,357 (14,176) and total sales Rs 311.42 crores (Rs 213.81 crores), a rise of 45.7 per cent.

Exports during the first half of the year were lower mainly on account of labour unrest which paralysed the operations of factories which supply special bodies for the export vehicles, and the congestion at the ports. In spite of these difficulties, the company expects that export turnover during the current year will exceed last year's figure.

During the next six months, the company will get the full benefit of the substantial expenditure incurred on its expansion and indications are that the company's turnover for the year will exceed Rs 800 crores.

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Printed and Published by R.P. Agarwala on behalf of the Eastern Economist Ltd. United Commercial Bank Building, Parliament Street, New Delhi at the New India Press, K-Block Connaught Circus, New Delhi.
Editor : Swaminathan S. Aiyar.

Registered at the GPO, London
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AUSTRIAN TECHNOLOGICAL SYMPOSIUM

NOVEMBER 23-27,1981

THE TAJ MAHAL HOTEL
NEW DELHI

Persons interested in research and development and marketing meet and discuss with Austrian experts the latest technological developments.

NO.	SEMINAR
1	Industrial furnace plants for heat treatment (Film)
2	Compact mini-cement plants with central grinding unit in horizontal arrangement
3	Modern diesel engine development
4	Use of AVL measuring equipment for the development of combustion engines
5	New AVL testing equipment for heavy vehicles
6	The new automatic AVL test stands for combustion engines
7	Cable proof testing and cable fault location in underground cables of high, medium and low voltage distribution network
8	Test and measuring techniques for data communication installations
9	The successful use of atmosphere in heat treatment in the steel and non-ferrous metal industries
10	Hardness testing in normal service conditions — special cases of application and automatisation
11	Recent advances in wire technology production of ultra-fine enamelled copper wires for electro-technical industries
12	The New Austrian Tunnelling Method (NATM) and its application at the 14-km Arlberg Expressway Tunnel
13	Large pipeline construction for water, oil and gas described by using the 465 km long Transalpine Oil Pipeline (TAL)
14	Plant engineering and process technology in Ca-treatment of steel by powder injection and wire feeding
15	How to achieve huge return on investment through product quality
16	(Some) new developments and applications of the high melting metals molybdenum, tungsten, tantalum and niobium
17	Higher life expectancy of heavy duty and medium speed diesel engines by optimal bearing design
18	Precision measuring techniques
19	Service instruments and checking of protective measures
20	Modern Track Maintenance (*1st part*. Latest developments in mechanized track maintenance *2nd part* Track maintenance at industrial, urban and mining railways)
21	PH measurement in the sugar industry PH measurement in the pulp and paper industry PH control of drainage
22	Latest development in bearing application (technology, dimensioning evaluation of technical requirements, computer-aided design and latest developments in radial/thrust considerations) with special emphasis for the iron and steel industry-engine production-mining-transport (railways)-chemical industry-machine tools
23	Precipitation hardened pressplates of highest performance
24	Electro-Slag-Remelting, a process for the production of steel ingots with improved properties. Know-how service for the production and processing of special steel
25	Corrosion-proof and high heat resistant special steels and alloys for turbines and compressors
27	Dewatering of brown coal in an atmosphere of saturated water steam according to the Fleissner process and the possibilities of the subsequent upgrading of the dry brown coal
28	Coal mining and preparation, its importance and present situation
29	Sinter - and pelletizing plants
30	New developments in the fermentation industry with special views on continuous alcohol fermenting process for alcohol production
31	Know -how for the setting-up of agro-industries for export goods
32	Full mechanization in cereal breeding managements
33	Spun concrete (centrifugated concrete) production and application
34	Construction of power lines for transmission and distribution by use of spun concrete poles
35	Transshipment — vital basis of commodity exchange and supply
36	Polystyrene foam-its production, its application and its economic importance in the past, present and future

Organized by:	**Austrian Federal Economic Chamber & Austrian Trade Commission in India in collaboration with Association of Indian Engineering Industry**
For further details:	**The Austrian Trade commission in India, 12-A, Amrita Shergill Marg, New Delhi-110003 Tel: 618396/618397**

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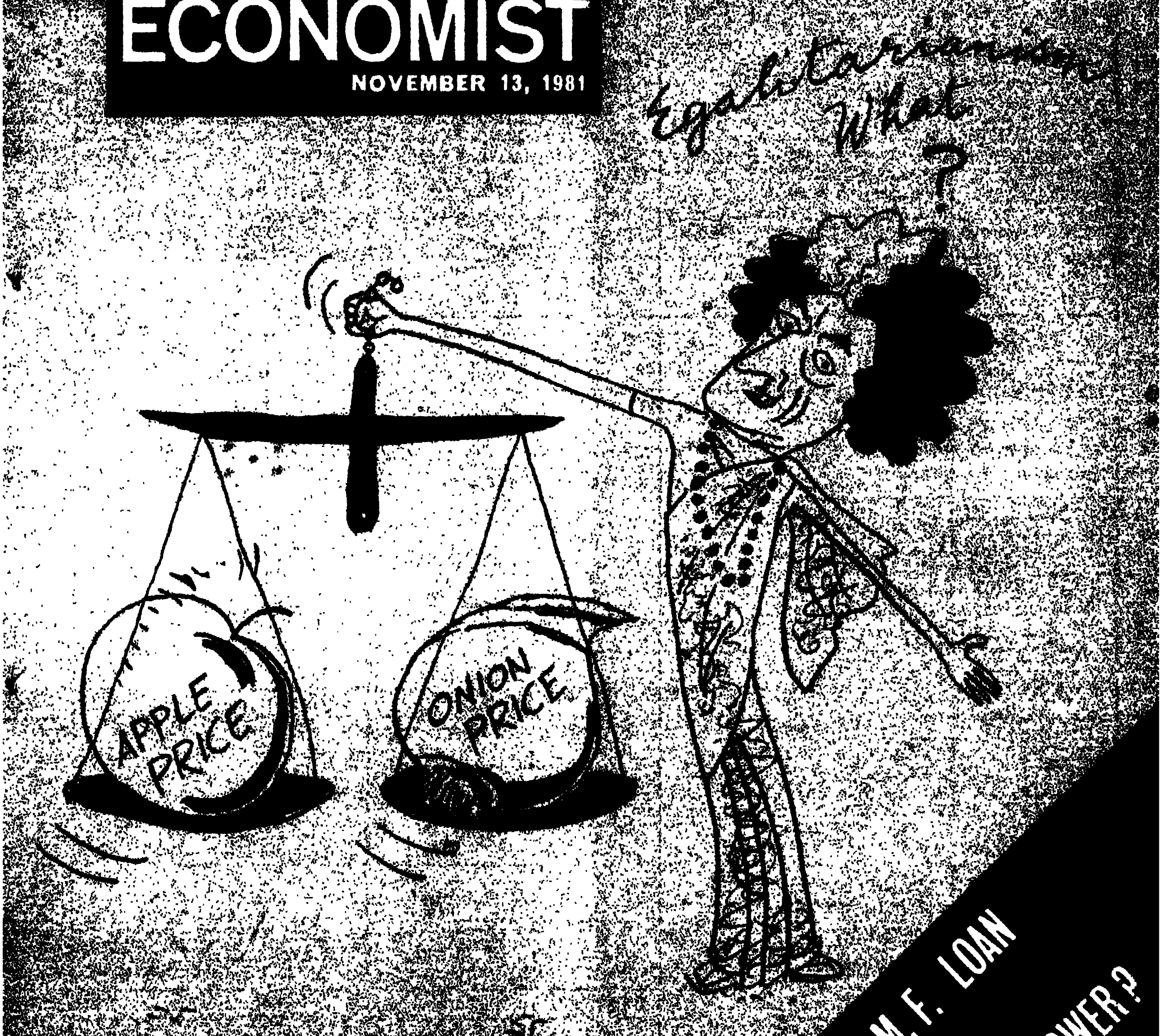
ECONOMIST
NOVEMBER 13, 1981



THE I.M.F. LOAN

POWERLESS IN POWER?

AUSTRIAN TECHNOLOGICAL SYMPOSIUM THE TA[illegible]

November 23-27, 1981

23 2:30 **MONDAY**	**1** Industrial furnace plants for heat treatment Ing H. Proisl Aichelin Industrieofenbau GesmbH Fabriksgasse 3 A-2340 MOEDLING	**3** Modern Diesel engine development Dipl Ing. Greier AVL Prof List GesmbH Kleiststrasse 48 A-8020 GRAZ	**31** Know-how for the setting-up of agro industries for export goods Dipl Ing. Assinger vogelbusch GesmbH Mautner-Markhof-Gasse 40 A-1110 VIENNA
24 9:30 **TUESDAY**	**30** New developments in the fermentation industry with special views on continuous alcohol fermenting process. Ing. U Pendl Vogelbusch GesmbH Mautner-Markhof-Gasse 40 A-1110 VIENNA	**16** New developments and applications of the high melting metals molybdenum, tungsten, tanatalum and niobium Dr W Aschenbrenner Metallwerk Plansee GesmbH A-6600 REUTTE	**23** Precipitation hardened pressplates of highest performance Dipl Ing J Jerlich VEW (Vereinigte Edelstahlwerke AG) Elisabethstrasse 12 A-1010 VIENNA
11:30	**24** Electro-Slag-Remelting for the production of steel ingots with improved properties Dipl Ing. Ch. Kubisch VEW Edelstahlwerke AG) P.O Box 10 A-8605 KAPFENBERG	**12** The New Austrian Tunnelling Method (NATM) Dipl. Ing. P Laesser ILF Consulting Engineers Framsweg 16 A-6020 INNSBRUCK	**27** Dewatering of brown coal in an atmosphere of saturated water steam according to the Fleissner process Dipl Ing Dr J Fohl VOEST Alpine AG P Tunner Strasse 15 A-8700 LEOBEN
2:30	**25** Corrosion-proof and high hem resistant special steels and alloys for turbines and compressors Dipl. Ing., M Koren VEW (Vereinigte Edelstahlwerke AG) Mariazellerstrasse 25 A-8605 KAPFENBERG	**4** Indicating in multicylinder engines (Diesel) Dr H Stubenberg AVL Prof List Gesmbh Kleiststrasse 48 A-8020 GRAZ	**34** Construction of power lines for transmission and distribution by use spun concrete poles Dipl Ing E Bacsa H Weyher Wartingergasse 37 A-8013 GRAZ
25 9:30 **WEDNESDAY**	**15** 'How to achieve huge return on investment though product quality Dipl. Ing. H.J. Mueller-Aue INTECO (Intern. Techn. beratung GmbH) Bahnhofstrasse 9 A-8600 BRUCK/MUR	**5** New AVL testing equipment for motor vehicle diagnosis Ing H Behr AVL Prof. List GesmbH Kleiststrasse 48 A-8020 GRAZ	
11:30	**10** Hardness testing in normal service conditions—special cases of application and automatisation Ing J Walkner Emco-Maier & Co P O. Box 131 A-5400 HALLEIN	**11** Recent advantages in wire technology production of ultra-fine enamelled copper wires for electronics and electro-technical industries Dr E Fuchs Fuchs & Co. AG Kahlenbergerstrasse 31 A-1190 VIENNA	**14** Plant engineering and process technology in Ca-treatment of steel by powder injection and wire feeding Dipl Ing. Dr. D Hengerer INTECO (Intern Techn Beratung GmbH) Bahnhofstrasse 9 A-8600 BRUCK/MUR
2:30	**36** Polystyrene foam— its production, application and economic importance Dipl Ing F. Wieser Dipl Ing Franz Wieser An der Laxenburgerbahn A-2340 MOEDLING	**6** The new automatic AVL test stands for combustion engines Ing H Behr AVL Prof. List GesmbH Kleiststrasse 48 A 8020 GRAZ	**33** Spun concrete (centrifugated concrete)—production and application Mr R. Hanel H Weyher Wartingergasse 37 A-8013 GRAZ
26 9:30 **THURSDAY**	**22** Latest development in bearing application Ing H. Muehl Steyr Daimler Puch AG Seitenstettner Strasse 15 A-4400 STEYR	**13** Large pipelines construction for water, oil and gas Dipl Ing. H Wessiak ILF Consulting Engineers Framsweg 16 A-6020 INNSBRUCK	**7** Cable proof testing and cable fault location in underground cables Ing M Baur Baur Pruef— und Messtechnik KG A-6832 SULZ
11:30	**18** Precision measuring techniques Dipl Ing Tumfart Norma Mestechnik GesmbH Fickeysstrase 1-11 A-1111 VIENNA	**21** PH-measurement in the sugar industry, pulp and paper industry Mr S. Dua/Unitron Ludwig Seibold Wipplingerstrasse 24 A-1013 VIENNA	**8** Test and measuring techniques for data communication installations Ing Mag. W Augustin Datentechnik GesmbH Theresianumgasse 11 A-1040 VIENNA
2:30	**9** The successful use of atmosphere in heat treatment in the steel and non ferrous metal industries Dipl. Ing H Lochner Ebner Industrieofenbau J. Ebner KG P O Box 345 A-4021 LINZ	**29** Sinter— and pelletizing plants Dip Ing P Scheikl VOEST Alpine AG P O. Box 2 A-4010 LINZ	**20** Modern track maintenance Ing R. Wenty Plasser & Theurer Johannesgasse 3 A-1010 VIENNA
27 9:30 **FRIDAY**	**19** Service instruments and checking of protection measures Dipl. Ing. Tumfart Norma Messtechnik GesmbH Fickeysstrasse 1-11 A-1111 VIENNA	**17** Higher Life expectancy of heavy duty and medium speed diesel engines by optimal bearing design Dipl Ing. G. Ederer Miba Gleitlager AG Hauptstrasse 3-5 A-4663 LAAKIRCHEN	**35** Transshipment— vital basis of commodity exchange and supply Mag. P. Unterweger Wiener Brueckenbau— und Eisenkonstruktions AG Ober-Laaer Strasse 294-296 A-1232 VIENNA
11:30	**2** Compact mini-cement plants with central grinding unit in horizontal arrangement Ing G W Frenzel Austroplan (Austrian Engg. Co Ltd.) Linke Wienzeile 234 A-1153 VIENNA	**28** Coal mining an preparation— its importance and present preparation Dipl Ing J. Leonhardt VOEST Alpine AG P O. Box 2 A-4010 LINZ	**32** The full mechanization in cereal breeding managements Mr W. Betzwar Walter & Wintersteiger J.M. Dimmelstrasse 9 A-4910 RIED/INNKREIS

Organized by:

Austrian Federal Economic Chamber in Collaboration with Association of Indian Engineering Industry.

Austrian Trade Commission, 12 A Amrita Shergill Marg., New Delhi - 110003 Tel 618395/618397

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Vol. 77 No. 20 NOV 13, 1981

Price Rs 3.00

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This Week

November 4

The European Economic Community (EEC) appropriated $40 million for food aid to needy countries.

Algeria has lowered the price of its high-quality crude oil from $40 to $37.50 a barrel.

India and Venezuela have mooted a proposal to convene a ministerial level meeting of the "Group of 77" in the near future as a follow-up to the Cancun summit, which called for global negotiations to establish a new economic order.

Several major changes in the Industrial Disputes Act, 1947 have been proposed by the Union Labour Ministry in a letter to Central trade unions and employees organisations.

November 5

Any Arab leader who responds to the American invitation to join the Camp David West Asian peace process will "meet the same fate as Sadat" Syria's **State Radio** has warned.

The Saudi Fund for Development (SFD) has agreed to assist in the financing the 710 MW Koel Karo hydroelectric project in Bihar, one of the biggest project being constructed by the National Hydro Electric Power Corporation.

The Union Government has decided to carve out a new tea zone covering tea-growing areas in Bihar, UP and Himachal Pradesh. The tea grown in these areas will be liable to a basic Central excise duty of 25 paise per kg.

The Andhra Pradesh Legislative Council has unanimously adopted a non-official resolution urging Union Government to re-structure the Agriculture Price Commission (APC).

The official wholesale price index for all commodities stood at 282.6 (provisional) during the week ended October 24, against 284.7 (provisional) for the previous week.

November 6

Bangladesh has agreed in principle to take back all the refugees, who entered Tripura during the past two months and resettle them in their respective areas as soon as possible.

Bharat Electronics Limited (BEL) has cut the prices of integrated circuits (ICS) for radio, audio and TV industry. The price cut ranges from 20-30 per cent.

The Chairman of Steel Authority of India Ltd, Mr K.C. Khanna, was sacked. He has been replaced by Mr S. Samarapungavan, Managing Director of Indian Iron and Steel Company.

November 7

Soviet Defence Minister Marshal Ustinov has vowed never to let the West achieve military superiority over the USSR.

The Madras refinery expansion from 2.8 million tonnes to 5.6 million tonnes of oil per year is expected to be completed by the middle of 1984.

Shipping companies which have defaulted in repaying of Government loans will henceforth need to get its prior permission before declaring any dividend.

An industrial mission will leave on a two-week visit to Uganda, Malawi and Zambia.

November 8

Union Minister of State for Home, Yogendra Makwana said in Trivandrum that the provisions of the National Security Act would be invoked in Kerala whenever and wherever necessary to restore law and order in the State.

India and France has signed their memorandum to reinforce their relations through identification of specific areas of cooperation in exploration, production and processing of hydrocarbons.

November 9

The Prime Minister, Mrs **Indira** Gandhi, urged the developing countries to pursue a policy of collective self-reliance "especially in food security with the maximum determination and vigour".

The Union Minister for Industry and Labour, Mr Narayan Datt Tiwari, said that every district would soon have manpower planning and employment generation councils to prepare a portfolio of viable investment opportunities to promote self-employment.

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ECONOMIST

Who's Afraid of the IMF Loan?

ANYONE READING newspapers last week could be forgiven for getting the impression that India has been given a loan of five billion SDRs by the International Monetary Fund. It has not. This sum has merely been sanctioned as a maximum limit. In the first instance, only 600 million SDRs will be loaned before March 1982. All subsequent instalments, spread over more than two years, will be contingent on a review to establish two things—(1) India's need for such finance, and (2) Implementation of loan conditions laid down by the IMF. There must be doubts whether both conditions will in fact be fulfilled. The USA fought the IMF loan sanction, and finally abstained from voting only when it became clear that it was isolated. But it is bound to return to the fray when reviews take place by the IMF. Between American pressure and Government reluctance to implement get-tough measures, a situation could well arise where the IMF cuts off later loan instalments. This has already happened in the case of Bangladesh, Sri Lanka, Zaire and Turkey to name only a few countries.

Most Indian commentators have been worried about the second of the two factors that will come up periodically for review, namely implementation of IMF conditions. Hardly anything has been said about the principal American objection, that India does not need a loan of this size. In the American view, India's balance of payments are much healthier than made out by the Indian Government. If this turns out to be the case—an outcome which we believe is very likely—the IMF loan will be truncated on the ground that the full amount is not needed. It is worth recalling that India's foreign exchange reserves fell by only Rs 1250 crores last year (net of IMF transactions), despite the fact that the Assam agitation forced us to import an additional Rs 1175 crores worth of oil and fertilisers. Reserves have fallen more sharply this year for reasons which are not clear, as foreign trade data are deplorably incomplete. The main reason seems to be a very sharp fall in invisibles, which is almost certainly a temporary phenomenon. Domestic oil production has gone up by around 60 per cent this year, and will double again by 1984-85. Hence there seems to be fair scope for optimism on the balance of payments.

Why, then, has India gone in for such a massive loan ? One suspicion (which the Americans seem to share, though they have not openly said so) is that India is using the IMF to aid rather than just balance of payments support. The disti tion between the two has got blurred by the extended facili which India has availed of. The traditional IMF loan i short-term affair, in which repayments start within 12 mont But the extended facility is repayable over seven to ten yea with a grace period of three years. This is very similar to aid agreement. The aid outlook for India happens to be rath grim, as its biggest source of aid by far in the last decade h been the soft-lending affiliate of the World Bank, the ID. And with President Reagan wanting to slash IDA allocatio at precisely the time that China is putting in a big claim f its shrinking resources, aid to India is in serious trouble. T IMF loan will come in handy in plugging the aid gap. The US is vehemently opposed to this, as it feels the IMF should ha nothing to do with aid or even quasi-aid, and should conce trate on short-term balance of payments needs. It has lost th ideological battle.

Paradoxically, the USA also wants loan conditionality t be tightened up. It seems blissfully ignorant of the contradic tion involved in its two objections to the loan to India. indeed India's balance of payments is so good that it does n need a large loan, what is the need to impose strict conditions It makes sense to insist on tough conditions in the case of bankrupt borrower who needs to change his ways. But if th borrower is already in good shape, why bother? Apparentl the USA fears that soft terms in India's case may be a prece dent for soft terms on loans to less creditworthy borrowers. I so, it has chosen its battlefield very poorly indeed. It has there fore been defeated in the IMF boardroom.

The Finance Minister, Mr R. Venkataraman, has repeatedl said that the IMF conditions will not in any way be derogator to the national honour. Nobody can seriously contest that h is right. The IMF conditions amount to little more than th policy framework laid down in Sixth Five Year Plan. Indeed the Sixth Plan could well have been written by the IMF staff as it represents in many critical respects a convergence of views with the IMF. The USA is right in saying that the loan t India is one of the least conditional ever made by the IMF despite the fact that it is the biggest. And the reason for this is the harmony of the Sixth Plan framework and the IMF's own philosophy. To be sure, there are important differences. The IMF could hardly be enamoured of a Plan in which the public sector's share will be 56 per cent (as against the actual 45 per cent in the Fifth Plan). Nor could it be happy with the low role given to private companies, particularly foreign companies. But it has never been quite the ideological demon which our leftist comrades have painted it to be. It has been satisfied with the series of marginal shifts in favour of the private sector, such as automatic expansion of licensed capacity up to 25 per cent, exclusion of exports from licensed capacity, a ceiling on the convertibility of loans given by public financial institutions, the cut last year in corporate tax surcharge and accelerated depreciation, special incentives for export-oriented units, liberal access to imported technology, and regularisation of excess capacity. The IMF has also been happy with the policies laid down in the Plan for the Government itself—monetary constraint, a limit on deficit financing, the progressive reduction of subsidies, realistic public sector pricing to ensure decent returns and an attempt to maximise unutilised capacity.

The one area in which the IMF may have pushed the Government further than it intended to go is import liberalisation. The Government has for quite some time followed a liberal import policy, but there were always doubts whether this really arose from inner conviction, and a tight foreign exchange situation seemed a plausible scenario for tightening up the import regime. The IMF will now ensure that the regime stays liberal, and perhaps gets more liberal. There can be no question that liberal imports have in recent years played an important role in relieving shortages and maintaining production. There have in some cases been squeals from domestic producers who find competition from abroad unwelcome. As against this one has the sterling example of the Association of Indian Engineering Industry, which favours liberal imports to the extent of suggesting the duty-free import of machine tools. It is paradoxical that at the same time our leftist comrades are calling for a slash in such imports. But this merely proves yet again that our leftist friends can be more reactionary than even capitalists.

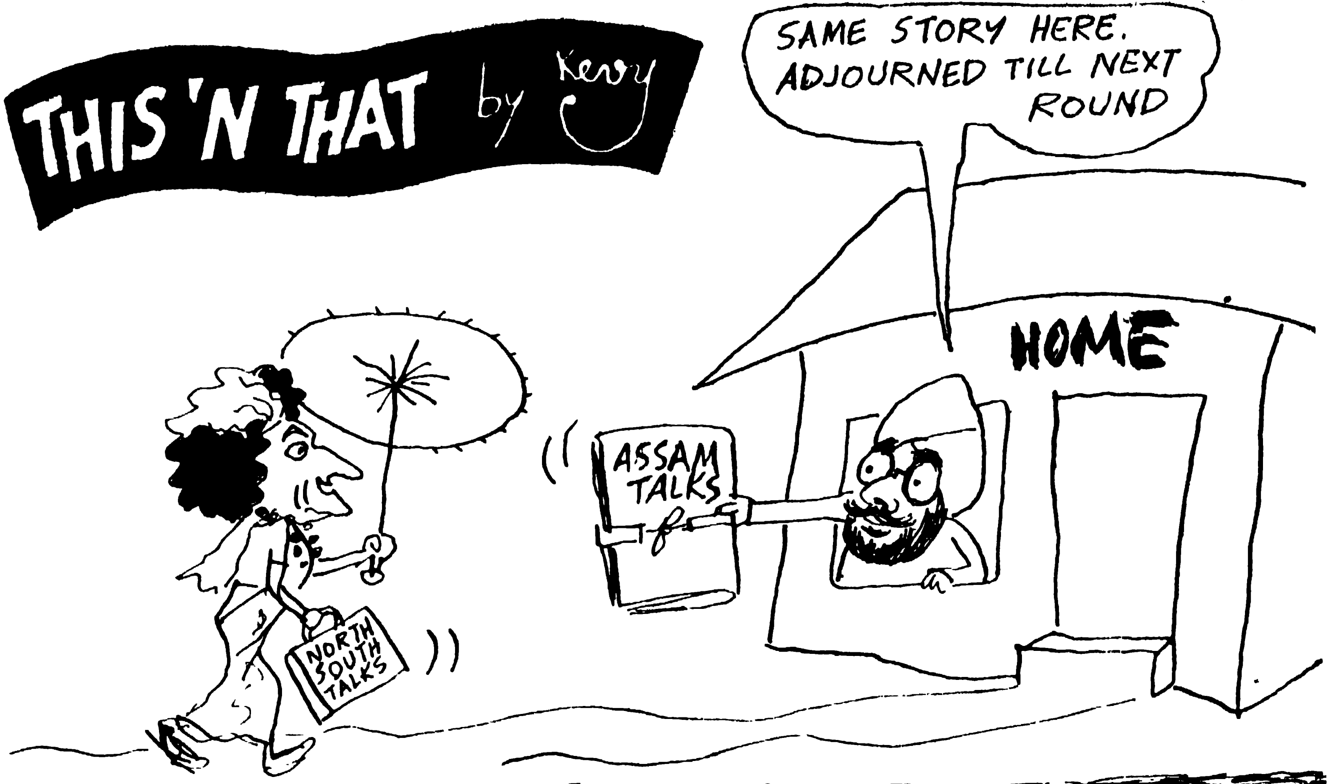
One other reason why the IMF has been so soft in India's case is that, thanks to Bombay High, India does not really need to make draconian adjustments. There are few (if any) countries in the world all set to double their oil output in the next three years, and reduce the share of imports from 55 per cent oil consumption to 30 per cent.

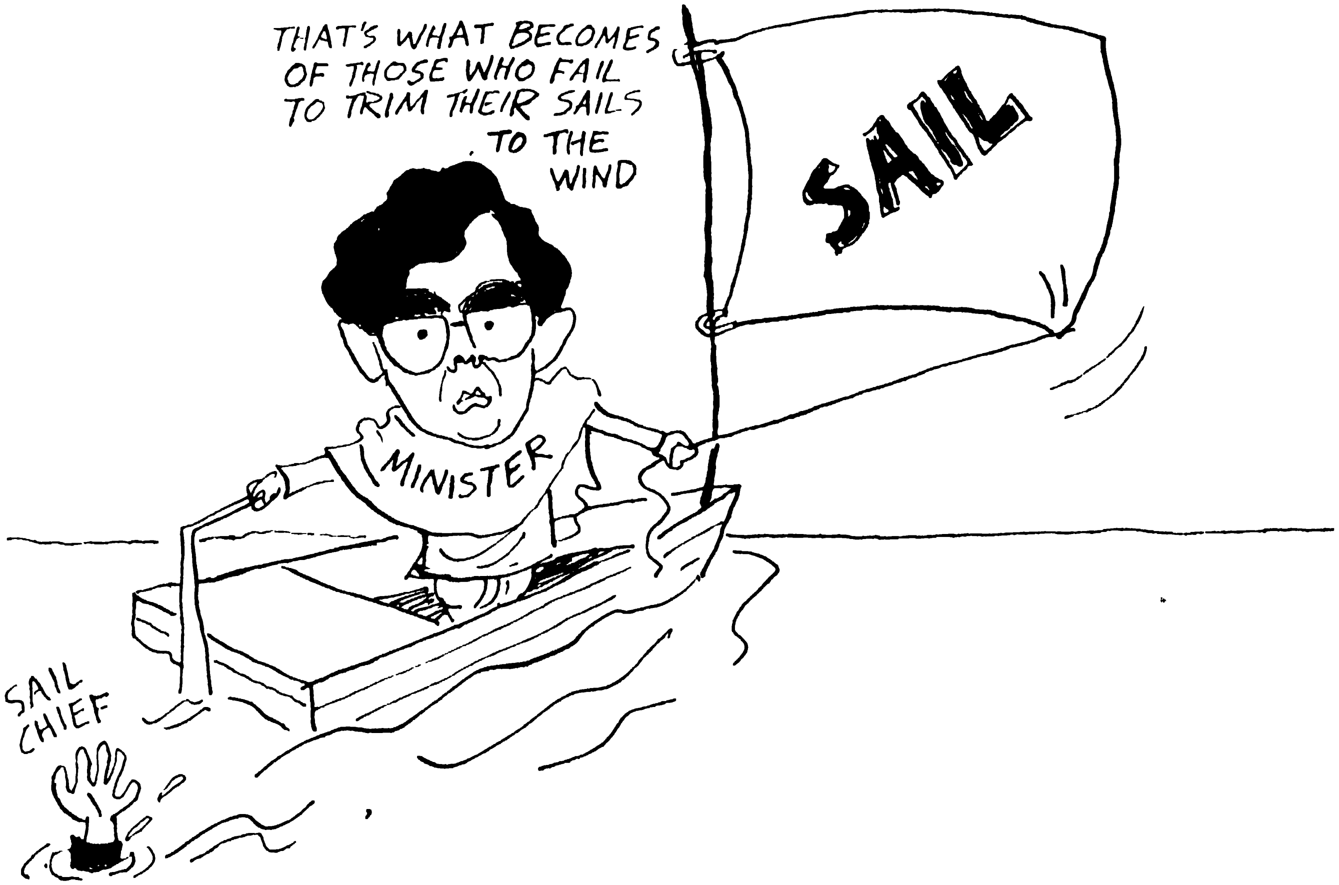
The opposition of critics to the IMF loan is not to any specific IMF condition, but to the general tone of it, and the fact that India will have to subject itself to foreign surveillance and review. Those who claim, like Dr. Ashok Mitra, that it is a sell-out to capitalism would doubtless argue that the Sixth Plan is a sell-out too, and no more need be said on that. But the second point needs some elaboration. Even those who accept the logic of the Sixth Five Year Plan, like Dr Malcolm Adiseshiah at the recent ASSOCHAM meeting, object to its principles being implemented at the instance of a foreign supervisor. Chauvinism is nothing new in our country, and often degenerates into pure racism. Apparently it is not the principles which are important but the colour of the supervisors, go that even the best principles are objectionable if there is a foreign supervisor. One can agree whole-heartedly to the extent that it is deplorable that we need a foreign supervisor at all. If only we had implemented Plan policies all these years, we would have far fewer troubles. It is most desirable that the Government should enforce self- discipline. But since it has never done so (and shows no obvious signs of doing so in future), take it as a second-best solution that discipline should be enforced by the IMF. It would be a different matter if the IMF's views were radically different from the Government. But when both have a similar policy frame, it is quite wrong to talk of the imposition of an IMF regime on us. The IMF is simply imposing our own policies on us, if that can be called imposition.

As to those who protest against any kind of conditions being attached to an IMF loan, one can only say that loans are not charity. (Even charitable donations frequently carry conditions to ensure they are used for the proper propose.) In the case of commercial loans, conditions are absolutely essential. How else can the lender ensure that the loan will be repaid? Of course, there is no lack of gentlemen who claim it is an insult for a sovereign nation to have conditions imposed on it. But they presumably also feel that every country has a sovereign right to be financially irresponsible. That is fine, as long as the sovereign nation is messing up only its own budget. But the moment it wants to borrow from abroad, it is as much obliged to be financially responsible as the smallest private borrower. When it comes to foreign exchange, Governments must pay their bills no less than individuals. If they cannot pay their bills, they must adjust their spendthrift ways. They cannot avoid adjustment by borrowing, as the lender will insist on their mending their ways. And there is not the slightest use in their blaming the lender for insisting on the change. Bankruptcy would have forced them to mend their ways anyway.

One final point needs to be made. It has been fashionable for many commentators to depict the World Bank and IMF as American puppets, ready to do their master's bidding. This caricature has once again been exposed for what it is by the IMF loan. Despite the strongest American protests, the loan went through. What is more, one of the loan conditions amounts to a total rejection of the Reagan prescription for developing nations. President Reagan holds that Third World countries should depend mainly on private investment and commercial loans rather than on money from multilateral lending institutions like the Bank and Fund. But in giving a loan to India, the IMF has specifically prohibited commercial borrowing of more than 1.4 billion dollars. It has given Reaganomics a slap in face, by making it clear that commercial borrowing beyond a point is positively dangerous and is no substitute for official and multilateral flows of finance. There has been too much loose talk about India surrendering to IMF conditions. It is worth noting that at least in this respect the IMF has accepted India's view and cocked a snook at the USA. Whose puppet is it, anyway ?

THIS 'N THAT by Kerry


SAME STORY HERE. ADJOURNED TILL NEXT ROUND
HOME
ASSAM TALKS
NORTH SOUTH TALKS


THAT'S WHAT BECOMES OF THOSE WHO FAIL TO TRIM THEIR SAILS TO THE WIND
SAIL
MINISTER
SAIL CHIEF

Dry Thoughts

INDIA's reaction to Pakistan's offer of a no-war pact has the distinction of being comic and tragic at the same time. Mrs Indira Gandhi looks very much like a film heroine who is flabbergasted when the villain steals her best lines. Her clumsy reaction has been to ad lib precisely those lines originally assigned to the villain. This has simply created confusion as to who the villain really is. She is not going to win an Academy Award for this pathetic performance.

It is quite true that India first proposed a no-war pact as far back as 1949, and repeated it in subsequent years, with Pakistan refusing to accept it. Doubtless this gave us the aura of a film star oozing virtue from the billboards. Now President Zia has suddenly turned around and offered a no-war pact himself. It is rather like Shatrughan Sinha turning round in the middle of a film, making the transition from villain to hero. The heroine is dismayed by the turn of events. In panic, she denounces the villain-turned hero as a fraud and hypocrite. But in refusing to accept a deal which she herself has claimed to favour for decades, she is merely raising doubts as to who the fraud and hypocrite really is.

In a Bombay film studio, the heroine could have told the producer to sack the villain. Alas, in the real world this is not possible. And no matter how implausible may be the efforts of the villain to turn hero, he can sometimes succeed. Shatrughan Sinha has done it, and so can President Zia.

Mrs Gandhi feels that the U-turn performed by President Zia is a confidence trick, and that his no-war offer is just a propaganda exercise aimed at placating those Americans who fear he may use his F-16 planes against India. The evidence quoted for this thesis is that the no-war offer was tagged on at the end of a press statement accepting the American arms deal, and has not been taken up independently at the diplomatic level. This evidence is far from conclusive. In the past too, Pakistan has got arms from the USA and tried to placate apprehensions that these would be used against India. But never before has it gone to the extent of offering a no-war pact. Surely this is a significant advance. It matters little whether this change has come from within or as a result of American pressure. It is a change for the better, and must be welcomed. There must have been considerable agonising on the part of President Zia before he overturned his country's traditional position. He has eaten crow in public. Why do we insist on viewing this as a sinister spectacle full of ulterior motives?

WE cannot, of course, rule out the possibility of hypocrisy on his part. Hypocrisy is part and parcel of diplomacy as we well know. But even if we assume that the Pakistani offer is fraudulent, surely the best way of exposing it would have been to accept the offer at face value, and immediately offer a no-war draft based on our traditional position? This would place the whole matter in perspective as arising out of a long-standing Indian initiative. If indeed President Zia was playing a confidence trick, such an Indian move would put him a cleft stick. He would either have to veer around to India's old stand (which would suit us splendidly) or else he would have to back away (which would expose him as a fraud).

Instead, we have shilly-shallied. We have not rejected the offer outright, as that would sound war-like. Instead we have drummed all sorts of lame excuses for evading the issue. One is that the no-war offer has not been officially communicated in writing. This sounds exactly like a lower division clerk being obstinately bureaucratic, as his vision is restricted to papers marked "through proper channel". Is it really our case that a no-war offer must be bound in red tape in order to have any meaning? The Pakistani press statement accepting the US arms package and offering a no-war pact was handed over to our Ambassador in Islamabad the same day. This might not be the acme of protocol. But is protocol the stumbling block?

NOT at all. Mrs Gandhi's real objection seems to be that the no-war pact has been offered just as Pakistan is buying American arms. She says that a country cannot prepare for war and talk of a no-war pact at the same time. Oh no? Then how is that she wants the superpowers to return to detente at a time when they are arming themselves to the teeth? Why does she expect President Reagan to assume SALT-II talks even as he is expanding his defence budget? Iran and Iraq are not merely talking about war but actually indulging in it; would Mrs Gandhi like to argue that neither party is therefore entitled to talk of peace?

The truth is the very opposite. A no-war pact is of value precisely when there is an apprehension of war. If there is no apprehension of war, a no-war pact makes no sense. Nobody has ever suggested a no-war pact between the USA and England, or between France and Italy, because such a pact would be irrelevant. Such a pact is relevant only when there is a danger of war. And that is why an Indo-Pakistani no-war pact would be of critical relevance today.

—Swaminathan S. Aiyar

Powerless in Power?

R. C. Ummat

THE FOUR-DAY deliberations of Power Ministers, which concluded in New Delhi this Monday, were a clear testimony to the serious failures on the power front, notwithstanding the heartening increase in generation this year.

In striking contrast with the past two years, the power situation this year, indeed, has shown marked improvement : the crippling shortages of the last two years have been mitigated to no small extent. Overall generation during the seven months to October at 70.84 billion units registered an increase of as much as 13 per cent over the 62.664 billion units produced during the corresponding period last year. This compares with a growth tatget of 9.4 per cent for the year as a whole.

The most encouraging development, of course, has been the increase in thermal generation- around 30 per cent. Hydel generation has gone up by 6.4 per cent.

Region-wise, generation during April-October has improved as follows : northern region 12.6 per cent, western region 9.7 per cent, southern region 13 per cent, eastern region 21 per cent and north-eastern region 26.2 per cent.

Concerted Efforts

The above increases, particularly in thermal generation, have been wrested through concerted measures. A close monitoring of generation and removal of bottlenecks through a systems approach are the major contributory factors. They have not only ensured steadily improved supplies of coal but also expeditious initiation of action to break other bottlenecks, particularly in respect of maintenance. The concerted effort at raising power generation, especially in the crucial eastern region, has boosted coal output. Improved coal supplies, in turn, have helped the thermal sector to generate more power. Both these key sectors, thus, have shown markedly improved production trends to mutual advantage, thereby benefiting the entire economy. In fact, as a sequel to the encouraging coal production trends, this year's target of raising 121 million tonnes has already been scaled up to 124 million tonnes. Indications are that even the revised target may be exceeded, though marginally. A similar phenomenon on the power front need not be ruled out.

The improvement in coal supplies, along with effective and timely maintenance, has very significantly led to another important development in the thermal sector. This is the improvement in the utilisation of the existing capacities on an average to 52 per cent from 45 per cent in 1979-80. The contribution of additions to capacity this year to the increase in generation has been just marginal so far. Generation has gone up primarily due to better utilisation of the existing facilities. Efforts are being made to raise utilisation further to 55 per cent. Should they succeed, it will mean a major break-through on the power front.

Discomforting Fact

The discomforting fact about the current power scene, however, is that serious slippages continue to occur year after year in regard to augmentation of capacity, notwithstanding the annual targets being set lower than warranted in terms of the current (revised Sixth) Plan development programme. The revised Plan envisages raising of the installed capacity from 31,025 MWs at the end 1979-80 to 51,192 MWs in 1984-85—an increase of slightly over 20,000 MWs over the five year period. The first two years of the Plan, of course, may not witness an addition of more than 3,300 MWs. Capacity to the order of only 1,800 MWs was commissioned rolled last year, against a target of 2,945 MWs and the mid-year expectation of an addition of 2,350 MWs. This year so far only about 250 MWs have been added. The total augmentation by the end of the year is expected at no more than 2,500 MWs. The target set for the year is 3,200 MWs.

A pertinent fact to be noted is that even though the addition to capacity this year will be somewhat more than in the last two years (in 1979-80, the capacity commissioned rolled was also around 1,800 MWs) it will be considerably less than in 1978-79. That year had witnessed an increase in capacity to as large an extent as 3,000 MWs, although the achievement had fallen short of the target of 3,800 MWs by 800 MWs. If allowance is made for the failures in respect of augmenting the nuclear generation capacity, the slippages from the 1978-79 performance have been all the more pronounced. The addition to nuclear generation capacity during the past two years has been only 235 MWs (the second unit of the Ranapratap Sagar project).' The first unit of the Kalpakkam plant is yet to be commissioned even though it was expected to go on stream in the mid-1970s. Allowing for these slippages, the addition to capacity in 1978-79 would have fallen short of that year's target by just 350 MWs—much less than the shortfalls during the subsequent three years.

An idea of how the targets for the increase in capacity have been scaled down after 1978-79 can be had from the fact that although 3,800 MWs capaciiy was envisaged to be added in that year, the targets set for 1979-80, 1980-81 and 1981-82 has been 2,945 MWs, 2,687 MWs and 3,200 MWs, respectively. In terms of the original sixth Plan, drawn up by the Janata Government, addition to capacity ought to have been around 3,200 MWs in 1979-80, 3,800 MWs in 1980-81, 4,470 MWs in 1981-82 and 4,760 MWs in 1982-83.

Elusive Target

The tardy augmentation of capacity during 1980-81 and 1981-82, apparently, implies that the (revised) Sixth Plan target of raising the capacity to 51,192 MWs by the end of 1984-85 will prove elusive by a wide margin, although several larger sized projects are slated to be brought on stream in the coming years. It is worth stressing that the slippages in the past two years have occured despite claims of most of the preliminary work having been completed before the final sanctioning of the projects, and projects to an aggregate generation capacity of 29,665 MWs had been sanctioned by the end of March last year.

The deliberations of the Power Ministers conference suggest that the import lobby has again become very active, notwithstanding the mounting pressures on our balance of payments. Delays in equipment supplies from Bharat Heavy Electricals and Instrumentation Limited, Kota, have come in for vehement criticism. The observations of the most State Chief Ministers suggest that these two public sector undertakings are the principal culprits for the lags in the execution of planned projects.

The Whole Truth

May be, the performance of the two undertakings has suffered some setback in the past three years due to such difficulties as steel and power shortages, deterioration in industrial relations, etc. But, surely, this does not appear to be the whole truth. A significant revelation has been made at the conference about the losses that the State electricity board have accumulated : they aggregate to as much as Rs 770 crores. Due to financial difficulties, they owe to the BHEL alone Rs 200 crores. Such large overdues to a manufacturing organisation obviously can inject serious distortions in its developments programmes. Bunching of orders too appears to be a major cause for delays in equipment supplies from manufacturers. A clear evidence of this is available from the fact that the BHEL last year had orders equivalent to not more than two years' turnover. In compressors and industrial turbo-sets, the then orders did not provide load even for 1981-82.

This, of course, does not imply that if there are serious failures on the part of the indigenous manufacturers, no resort should be taken to imports. But it has to be borne in mind that imports too cannot be effected off-the-shelf and the lead time for imported equipment invariably does not compare very favourably with supplies from domestic sources.

The slippages in addition to capacity have occurred due to various reasons; the delays in equipment supplies is only one such factor. Instances have not been wanting in the past of equipment remaining confined to crates because of the non-readiness of the State electricity boards to instal it. The shortages of construction materials such as steel and cement too have been responsible for the plans to augment power generation capacity going awry.

Much more serious, of course, are the financial and management weeknesses of the State electricity boards. Indisputably, not only most of the electricity boards are over-staffed but also they are being used for political and bureaucratic patronage. Various attempts to streamline their working have not yielded the desired-results. The slippages, in implementation have caused serious over-runs in costs, compounding financial constraints.

With the States resisting the increasing role of the Centre in power generation and even charry of developing the power resources on regional basis, what needs to be done primarily on the power front is to overcome the weaknesses of the State electricity boards. Unless this basic deficiency is removed, the long-term power perspective cannot be expected to brighten up. Better utilisation of the installed capacity can go some way in obviating power shortages. But there is a limit to this process. Unless installed capacity is augmented expeditiously, power shortages may re-emerge with a vengeance. Even during the current year, according to the Union Minister of Energy, it will not be possible to meet 11 per cent of the requirements despite the marked improvement in generation.

Imports of equipment can be helpful in a very limited way in so far as the current Plan is concerned. The domestic production, therefore, has to be streamlined. Large-scale imports can as well do a serious damage to the image of India emerging as an alternative source of supplies of various types of equipment to the developing world.

Growth of Power Industry

Year	Installed Capacity (MW)	Energy Generation (GWH)
1950	2302	7514
1960-61	5654	20123
1970-71	16271	61212
1973-74	18456	72796
1978-79	29226	103328
1979-80	31025	112752
1980-81	32825	115500
1980-81 (April-October)	31625	62664
1981-82 (April-October) (estimated)	33080	70840
Projections		
1984-85	51192	191000
1989-90	82000	310000

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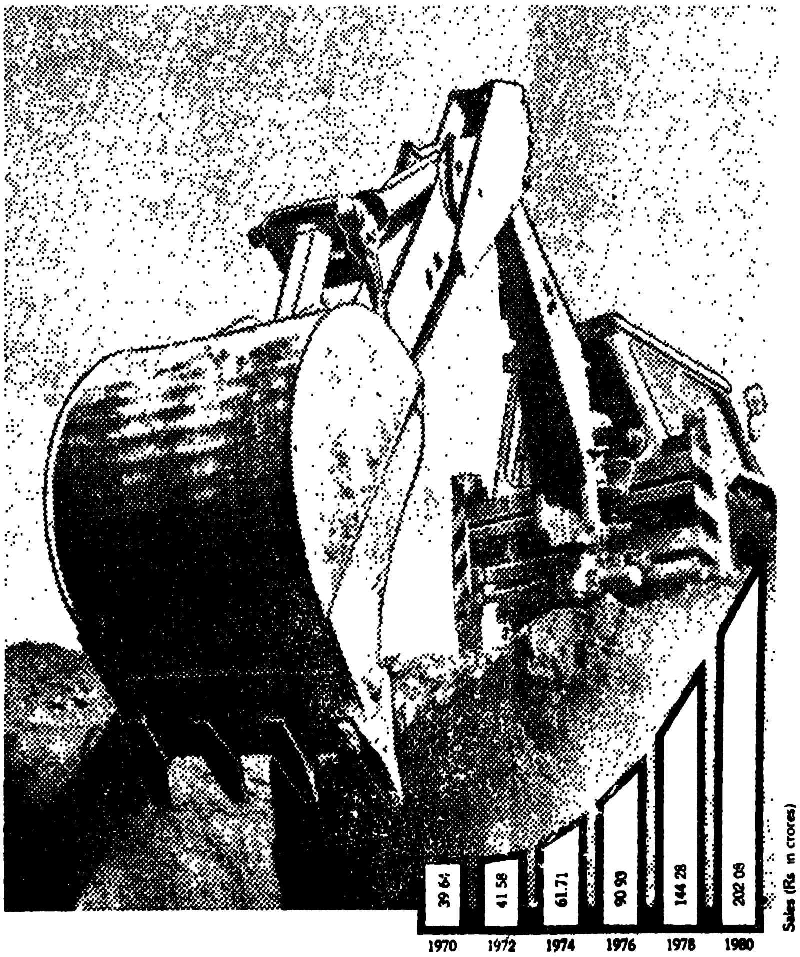

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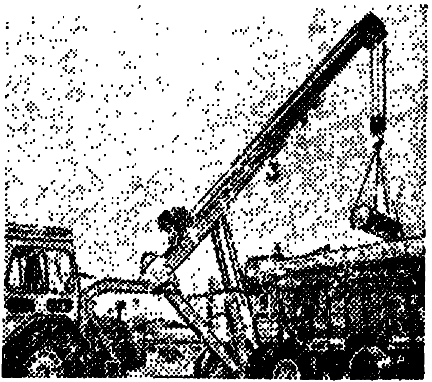

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Perspectives on Indian Tourism—II

S. N. Chib

IN THE first part of this (Sardar Patel Memorial Lecture, reproduced in the November 6, issue of the *Eastern Economist*) were explained the character and magnitude of the modern tourism phenomenon and the reasons for taking an optimistic view of its future growth. I also tried to bring out that despite its obvious economic benefitt, it has not been given the priority it deserved in our development plans. It seems to me that the main reason for lack of recognition is that our policymakers have not seen through seriously the implications of tourism. Apropos tourism policy, it would be pertinent to mention that the Estimates Committee of Parliament in its 42nd Report of 1972-73 recommended that:

> "Government should formulate a tourist promotion policy and bring it forward as a Resolution so that the policy in this behalf is put on a stable and assured basis."

The Government's reply in the Parliament was that:

Untenable Argument

"The national policy on tourism has already been laid down time to time in successive Plans which provide a clear framework for implementation at all levels. In this connection it has to be borne in mind that tourism is a fast changing activity and Government has to keep its options open to adjust its policies and programmes according to the changing needs of international tourism."

It would be difficult to buy the argument that successive Five-Year Plans are a substitute for a national policy on tourism, or that because tourism was a fast changing activity, a national policy would bind the Government to certain objectives and thus would come in the way of making adjustments according to the changing needs of international tourism. Not surprisingly, the Estimates Committee did not accept this plea and again in 1976 asked the Government to indicate clearly whether it was intended to formulate any definitive tourism policy or not. The Secretary Ministry of Tourism and Civil Aviation, while testifying before the Committee, admitted that:

"The fact is that there has been no formal formulation of tourism policy in the sense that you are wanting."

The Objective

Expressing his personal view the Secretary said:

"The objective of the tourism policy of the Central Govtment is promotion of international tourism and to earn as much foreign exchange for the country as is possible. This is in the context of the continuing difficulty which the country has been facing in regard to the balance of payment which, as we are all aware, has got extremely accentuated in in recent times. The tourism industry is viewed by the Central Government as an export promotion effort."

The Estimates Committee thereupon reiterated its view in 1976 as follows:

"That a formulation of the Tourism Policy laying down the basic approach to the promotion of tourism in the country would not only reinvigorate the tourism promotion effort but would also provide a clear framework for implementation at all level."

In reply to persistent questions in the Parliament during the last five years successive Ministers of Tourism have promised to present a Tourism Policy Resolution. So far this assurance has remained unfulfilled.

The continuing difficulty in regard to balance of payments which the Secretary of the Ministry referred to in 1975 has now become critical. While there is still no evidence that the Central Government as a whole views tourism as an export promotion effort of much consequences. Our foreign exchange reserves Which stood at about Rs 5700 crores a few years ago have now come down to Rs 3600 crores, just enough to meet the import bill for three months. The trade deficit in the last fiscal year climbed up to Rs 62,500 crores. The remittances from Indians working overseas which for several years were a major factor in the balance of payments have shown a decline during the last year. With the escalation in fuel prices and the need for other essential imports India's import bill has for the last one year been running at more than Rs 1000 crores a month.

If tourism is to be regarded as an important means of redressing the adverse balance of payments then we need not play the numbers game. We should concentrate on high spending category of tourists. It would be better to have one million visitors whose per capita expenditure is Rs 12,000 at the current prices yielding Rs 1200 crores in foreign exchange than 1.5 million with per capita expenditure of Rs 6000 contributing Rs 900 crores. One million visitors would cause less strain on our limited infrasture in terms of airport capacity, hotel accommodation, domestic transport services, trained manpower resources and utilities such as power, water and telephone services than meeting the needs of 1.5 million. The environmentalists who consider tourists as a menance would also feel less apprehensive.

The Main Thrust

Even at present visitors from highly industrialised societies such as Western Europe, North America, Australia and Japan, not to speak of those from Saudi Arabia and Gulf, have an average income of above $20,000 a year. The main thrust of our marketing strategy would then be to attract visitors with incomes above $40,000 a year. We shall have to provide not only 5-star hotels for them but also other equally sophisticated facilities. Today a visitor lands at an airport with 2-star facilities and is obliged to use sub-standard surface transport. Tourists would then move about in luxury ghettos as a community apart. We should then stop referring to 5-star culture in pejorative terms and denouncing what appears to us as conspicous consumption.

I do not however, subscribe to the view that we should mainly concentrate on upscale high-spending visitors. We would in fact be promoting a type of tourism which would open ourselves to the charge sometimes made by sociologists that modern tourism is a form of neo-colonialism. International tourism has a much larger human purpose. It widens international understanding and often has been described as a passport to peace. In a country of diversities like India domestic tourism could be an important unifying factor. An advertising slogan "To see India is to love India" that I popularised twentyfive years ago is still valid. There is Biblical saying, "In my father's house are many mansions." So are there many sectors in the wide-ranging tourism phenomenon which involves movements of hundreds of millions of human beings. To quote Mr Leonard Lickorish, a well-known expert, "the nature of tourism as a collection of trades, economic activity and many mini or specialised markets requires treatment as a grand confederacy."

Saturation Point

In Bermuda, an island territory of 24 Sq. miles; the saturation point was reached several years ago with 400,000 visitors. Beyond that limit it was a wise policy to encourage cruise ship visitors rather than overnight stay visitors. But for a country of the size of India we have to promote many segments of the market. In fact the failure of our marketing strategy for the last 20 years is that it has remained almost static. For instance, we have ignored the holiday market, have made no special effort to promote short-haul regional tourism and almost discouraged ethnic visitors.

Several market surveys of Indian tourism over the last fifteen years show that the most important motivation of 70 per cent visitors to India has been to see a country with an ancient civilization rich in monuments and temples, arts and culture. Taking advantage of this motivation our promotional policy, therefore, has been to sell the mystique of India and what is generally described as cultural tourism. But in modern consumer-oriented societies people travel to get away from the stress of making decisions and of living and working in crowded and polluted cities. They go to out of the way places to get away from it all. The human system is like a battery which needs to be re-charged periodically. The old pattern of one vacation a year has been gradually replaced by two or three vacations a year.

Holiday-maker

The tourist that we have missed is the holiday-maker seeking rest and recreation. We have never sold India as a holiday destination. The tourists from colder climates looking for sunshine and warm water beaches constitute one of the largest segments of present day tourism. The pleasure periphery of European and American tourists which ended at the Mediterranean and the Caribbean now extends to the beaches of Asia and the Pacific Islands. Next door, in Sri Lanka, the official statistics reveal that the main motivation of 90 per cent visitors is pleasure which mainly consists of a seaside holiday.

We have ignored a great sociological change that has come about in the Western society. Until the turn of this century a pale complexion was the symbol of the superior delicacy of the European leisure class. Ladies of fashion did not stir out in the sun. not even in Britain where the sun hardly shines in the winter, without long dresses and gloves, hats and parasols. But now the sun-tan has been adopted as a fashion by the same leisure class. It has become the hallmark of the new emancipated generation. It is a common spectacle in the winter season to see thousands of people lying on the sunny beaches wearing just a 'fig-leaf'.

We have 5000 kilometers of sea coast with plenty of beautiful beaches but haven't fully developed a single major sea resort. Sri Lanka which started the development of beach resorts some 12 years ago, about the same time we started making plans for similar development, has by now three well-planned resorts on the West Coast and two on the East Coast with more than 60 hotels. Thailand's major resort Pattaya is overcrowded with 4000 hotel rooms and the Government has now undertaken a comprehensive programme of development of the off-shore island of Phuket. Malaysia has a flourishing resort in Penang on the West Coast and has how undertaken a major development programme on the East Coast. In the current National Development Plan out of an allocation of US $25 million for tourism more than $17 million have been earmarked for East Coast resorts development. Singapore is carrying out a 15-year development programme on the off-shore island of Sentosa, which incidentally is derived from the Sanskrit work 'Santosh'. The Philippines is purposefully busy developing half-a-dozen sea resorts. It would be topical to mention that Cancun where the 21-Nation Summit Conference met recently, is a large multi-million dollar sea resort on the Caribbean that Mexican Government started developing in the under-developed State of Yucatan only ten years ago. Mexico already had a great resort, Acapulco, on its West coast opening on the Pacific. Both Mexico and Venezuela have developed new resorts to take advantage of the large inflow of tourist traffic in the Caribbean.

Good Scope

There are few places in the whole of Asia which offer as good scope for sea-resort development as Goa. If properly developed Goa alone can absorb 250,000 visitors a year without causing serious enviornmental pollution. Culturally the Goanese are more suited to adjust themselves to the social mores of foreign visitors than the local communities of any other resorts in Asia or the Pacific. A major resort also must have a gateway airport close to it where jet aircraft can land and take-off with full pay-load. It is not a practical proposition to transport large numbers of holiday visitors from Bombay and Madras to resorts on the West and East coast. This also underlines another failure of our supply-side strategy. I mentioned earlier that the Germans spend 3½ times as much as the French on foreign travel but we have been getting more French than German tourists. The French have their own resorts on the Mediterranean but the more holiday-minded Germans have to go to other countries for a beach-holiday. Hence all those countries which have developed seaside resorts are crowded with German tourists in the winter. But planned development costs money. The cost of necessary infrastructure for the development of half-a-dozen long stretches of beaches in Goa alone, excluding the cost of building hotels, would not be less than Rs 30 to Rs 40 crores.

Another important change which has taken place in the last 25 years is the increased popularity of winter sports. Skiers all the world over want to ski on new slopes. The Americans have ample opportunities for winter sports in the Rockies but thousands of them travel in mid-winter to European resorts. It is a specialised and expensive short-season market but has largely solved the seasonality problem of mountain resorts in Europe which used to attract tourists mainly in the summer. Our one experiment of developing winter sports in Gulmarg so far has been an extremely amateurish effort. In fact all these years Gulmarg has hardly attracted any groups of experienced skiers from abroad. At the present rate of development it is many years away from being recognised internationally as a winter-sports resort.

Puritanic Ethics

I sometimes wonder whether we have missed holiday tourism simply because our planning and development procedures have been too slow and inadequate or is there more fundamental reason, a subconscious aversion to pleasure rooted in our puritanic ethic? Probably a combination of both. The tourist spends 29 cents of a dollar on shopping in India. which is a tribute to the excellence of our handicrafts, garments, leather goods and jewellery, but practically nothing on recreation and entertainment. There are probably more tourists sitting in the evenings in the loobbies of our hotels bored to tears than in most other countries.

The promotion of holiday tourism would inevitably result in an increase in tourists who travel in groups and prefer to buy pre-paid package tours at the point of origin. The package usually includes costs of air travel, board and lodging and transport expenses, sometimes entertainment as well, to be incurred in the destination country. As a rule package tourists in groups spend considerably less per day than individual visitors, though an assessment made in some countries has shown that the per capita expenditure of group tourists is not less than that of business and conference tourists. Part of the reason is that group tourists with a fixed itinerary of one to three weeks stay longer than business visitors.

Group Tourism

Group tourists pose problems of transport and accommodation. A group of 50 must have 50 air seats on a particular day and flight and the hotel must find 25 to 50 rooms for them for one or two specified nights. Large groups of 150 or more generally prefer to travel by a charter flight which lands at an airport close to the resort they are visiting. Compared with several other Asian countries India has had a much smaller proportion of group tourists, just about 15 per cent of the total. Sri Lanka's percentage of group tourists has varied between 60 and 65 per cent in the last few years. The targets officially announced last year of 1.75 million tourists by 1985 and 3.5 million by 1990 assume a 15 per cent annual growth rate. It means doubling the numbers every five years. These targets are quite unrealistic but even if we have to reach anywhere near them we have to enter the mass market vigorously.

An important characteristic of international tourism is that it is dominated by short-haul visitors. This trend has been further consolidated since 1973 by the high costs of fuel. Of the 285 million international tourists Europe received 208 million but 80 per cent of 165 million of them travelled within Western and Eastern Europe. Similarly the USA and Canada between them interchanged nearly 22 million and the USA and Mexico another seven million. The new factor which has emerged in the last 10 years, and which should be of great interest to us, is the growth of tourism which originates within South East Asia and East Asia. The countries of this region, supply to one another more than 60 per cent of their visitors. With industrialisation a new middle class has emerged in many Asian countries including India that wants to travel, both for business and pleasure. But we are getting a very small share of this growing market. In 1980 we had only 60,676 visitors from the five countries of South East Asia and presumably half of them were of Indian origin domiciled in Malaysia, Singapore and Thailand. East Asia supplied only 37,152 visitors of which 30,679 were Japanese. Sri Lanka contributed as many as 67,000 visitors but again a large proportion who came by sea were apparently Ceylon Tamils. Last year in 1980 South East Asia received 6,885,327 tourists while the corresponding figure for East Asia which comprises Japan, South Korea, Hongkong, Taiwan and the Islands of Macao was 6,629,240. In comparison the five countries of the Indian sub-continent, defined as South Asia, had 1,935,243 peopleincluding visitors to India from Pakistan and Bangladesh. Because of political reasons which I need not dwell upon travel between India and its two main neighbours is highly restricted. But there is no reason why we could not attract more visitors from other Asian countries.

Buddhist Centres

A large part of this entire region extending to Japan and Korea is Buddhist. All the holy places connected with Gautama Buddha's life are in India except Lumbini which is just across the border in Nepal. More than four million Japanese travelled abroad in 1980 and two-thirds of them to countries in East Asia and South East Asia. Our share of 30,679 signifies another failure of our development policy. The facilities available at Bodh Gaya, Rajgir, Nalanda, Kushinara in Deoria district where Lord Buddha died, are grossly inadequate to meet the requirements of Japanese or other Buddhist tourists as distinct from pilgrims. UNESCO prepared a plan several years ago for the development of Lumbini but nothing much has happened since. It is in our interest to help Nepal in the realisation of this plan. One significant advantage of developing new markets, holiday and group tourism, tourism from neighbouring countries, and Buddhist traffic would be that we shall have to Provide less expensive hotels and other facilities which would be usable by our domestic tourists as well. The Hotel Industry in India has become top-heavy, the more expensive hotels have proportionately increased more rapidly. A more healthy balance will be restored by exploiting new markets.

Desirable Objectives

The current Plan states that in the development of tourism a selected travel circuit approach would be followed with a view to maximising the return on investment. Eightyseven per cent visitors to India come by air and of them 75 per cent choose to make Bombay and Delhi as their first ports of landing. All these years foreign visitors to India have moved along the Bombay-Delhi belt. Obviously it is an attempt to spread tourism geographically and diversify the supply-side. Conceptually it is a desirable objective. Government has however proposed 61 travel circuits consisting of 440 locations apportioning more or less an equal share to each State. But tourist centres are not like schools or hospitals that every State must have a proportionate share. Diversification of supply has to be matched with demand which is determined by the customer, not the supplier. When I recommended that new segments of the foreign tourist markets should be tapped I was in fact pleading for diversification of demand. Instead of spreading the butter too thin over 440 locations it would yield much better returns to carry out full-fledged development of just about a dozen tourist centres in each five years period.

Our planning policies have been to some extent modelled on the Soviet planning system. When I first visited Moscow in 1957 the Chairman of Indtourist, Mr Vladimir Ankudinov, while explaining the planning strategy, drew up attention to a 20 ft. long map of the Soviet Union fixed on the wall of his large office. On this map there were about 40 locations pinpointed with small red flags. He said the development of these 40 centres embraced a 10-year programme. When I visited him again in 1964 he pointed out with some pride 30 centres whose development process had been completed. They were equipped with all manner of facilities for foreign and domestic tourists. He then went on to explain the next 10 years programme to start two years later. And the Soviet Union has far more resources than we can ever command.

A little while ago I had referred to visitors of Indian origin. Four years ago the number of Indians domiciled abroad was estimated at 11 million. About one-third of them are descendants of those who migrated two or three generations ago and most of them have not seen India. Nevertheless, they have generally preserved their religious and cultural traditions. Another one-third have adopted the citizenship of the country of domicile and the rest still hold Indian passports.

Ethnic Visitors

Italy and Ireland, and even socialist countries like Poland and Hungary, launch regular campaigns inviting their old citizens to visit their 'home' country. Scotland lights up bonfires to welcome Americans of Scottish origin. There are large Indian communities in Trinidad, Guyana, Surinam, Mauritius, Fiji, East Africa and so on, who have lost touch with India. We have not made any effort to revive their interest and to visit us as tourists. In fact we have no reliable statistics of the number of ethnic visitors to India. On the other hand China which has only recently opened its doors to visitors counted 600,000 tourists of Chinese origin last year.

In my previous lecture I mentioned that many Asian countries which started promoting tourism much later than we did are now receiving far more visitors than us. This did not happen because they had a better product to sell or more talent among the personnel in the public and private sectors managing tourism. One of the major factors was that they allowed, more or less freely, foreign management of their tourist enterprises as well as foreign investment. The usual modus operandi of well-known transnational hotel groups is to take over management for a share in gross profits before taxes, but not invest in equity. However, because of their expertise and established reputation for good management they are able to arrange finance from international financial institutions and private banks. We did not allow either foreign investment or management in tourist enterprises because tourism was considered a non-priority sector.

Growing Concern

During the last five years or more there has been a growing concern among the developing countries in regard to the domination of transnational hotel groups and tour operators. A study conducted by World Tourism Organisation in 1975 brought out two types of problems. First, those arising from the structure and control of distribution by foreign tour operators; second, revenue distortion which means that a substantial part of foreign exchange earnings are syphoned out of the receiving country by way of operational fees, interest on loans and dividends on equity. The leakages in the case of some countries were reported to be as high as 50 to 70 per cent of the tourist expenditure.

Developing countries complaints under the first head are that tour programmes organised by foreign operators are often aimed at attracting low-spending tourists contrary to the tourism policy of the receiving country. Since a high proportion of sales is controlled by a few operators in the generating countries it weakens the negotiating power of the developing countries. Consequently destinations which are already well-established are largely sold. Only a few tour operators have the pioneering spirit of promoting new resorts in the receiving countries. A recent report released by the United Nations says that "the transnationals have all sides of the tourist market covered with a high degree of vertical integration, controlling a global network of tour operators, airlines and hotels". According to this report 65 per cent of the hotels in the developing countries are tied to multinational corporations by management contracts.

Despite all these disadvantages it is still debatable whether tourism in all these countries could have got off to a fine start 20 years ago without importing the expertise and finance from the developed countries which were, and still are, the main markets generating tourism. I am all for a policy of self-reliance and have been pleading for the last 25 years for initiating and expanding training programmes in developing countries. But can the Third World even today do without the multinationals which are playing a major role on the world economic scene? Most of the developing countries do not have a capital market. Investment by transnationals has now reached a level of $350 billion and they are turning out one-third of the world's gross product. The phrase 'developing' is a relative term. India's per capita income is very low because of its large population but industrially it is reaching the point of joining the league of industrially developed countries. So are Mexico, Brazil, Venezuela, South Korea and small countries like Singapore and Taiwan. India today has a large number of its own multinationals which have established overseas enterprises. We also have a very large number of collaboration arrangements with transnationals operating in India. It was a specious argument to start with, that what was sauce for the manufacturing industry was not sauce for the tourist industry, because it was a low priority service industry.

Trained Personnel

Tourism management needs professionally trained manpower. Even though India has been producing for quite some time a very large number of highly qualified scientists engineers, medical doctors and other technical experts tourism management was a new discipline and we needed foreign experts. Most of the developing countries have found it necessary to obtain the services of foreign instructors through ILO or other technical assistance programmes. We set up four Institutes for Hotel Management, Catering and Nutrition fifteen years ago but refused to have foreign instructors, even though we had no trained teachers to man them. In fact we also created a Gilbertian situation by placing them under the control of Ministry of Agriculture which has nothing to do with hotel and catering industry. These Institutes are producing about 400 semi-trained personnel at the craft level who at best meet a fraction of the manpower requirements of the fast growing hotel and catering establishments. There is obvious need for a 2-stage programme—import a dozen foreign instructors to train the trainers and then open more institutions to increase the output of trained personnel.

Universal Character

Tourism is international in character, more so than many other forms of industrial enterprise. There is considerable flow of operational skills and personnel in tourism, not only from the developed to developing countries but also between developed countries. You will find a large number of Americans managing hotels in Europe and Europeans holding top positions in the hotel industry in the USA and Canada. So far all that was permitted in India was that top class hotels could enter into a franchise agreement with reputable transnational hotel groups for providing a referral service. Only recently there has been a slight shift in our policy and collaboration agreements with foreign enterprises involving sales and marketing services and technical assistance are being allowed to 5 and 4 star hotels.

Aside from planning selectively because of limited resources a much larger problem is to find adequate finance on reasonable terms for the private sector, in particular the high cost of hotel construction. According to official estimates based on 15 per cent annual growth rate 17,000 more hotel rooms are required by the end of 1985. Assuming a more realistic growth rate of 8-9 per cent the requirement may be for 9000-10,000 more rooms. At the present cost of construction and land in urban areas it would require a capital outlay of Rs 360 crores and by 1990 an additional outlay of double this amount at the present prices. The public financial institutions like IFCI, IDBI and ICICI are now under severe financial constraints and cannot provide loans of two-thirds of the total cost nor can the private banks. The India capital market is not sufficiently developed to respond to a demand of Rs 350 crores required for equity part of the investment. Credits for hotels and other tourism projects are not available from World Bank and its soft-loan affiliate, International Development Association (IDA). The stated philosophy of the World Bank and the Asian Development Bank (ADB) is that if tourism development forms a part of the overall development of an area it could receive financial aid indirectly but not as a tourism project per se. In all these years ADB has given loans for tourism projects amounting to less than $7 million.

The other sources of financing tourism development were the International Finance Corporation (IFC) of bilateral aid on a government-to-government basis and lending institutions established by foreign Governments. Now that these sources of finance are drying up the Government for the first time has allowed hotel projects to arrange loans from foreign commercial banks upto 30 per cent of the cost of the project or 40 per cent in petrodollars from certain countries. A recent policy statement by the World Bank President made it clear that "the Bank would count more on the private sector for investment capital and would increase substantially co-financing for projects in the next several years."

Changing Pattern

This overdue change in policy should have been made many years ago in conformity with the emerging pattern of international financing. During the last ten years the official borrowing by developing countries increased at an annual average of 25 per cent while borrowing from private sources rose by 61 per cent. The problem with loans from commercial banks, Indian or foreign, is that they are available for short periods, 3-5 years or at the most seven years, while the long gestation period of tourism projects requires re-payment periods of 10-15 years. Hotel rooms are a perishable commodity—a room not used is a room wasted—and can not be stored in an inventory. Hence banks and private investors often add 1-2 per cent to the normal rate of interest. In the absence of incentives I don't see how a capital outlay of Rs 1000 crores would be forthcoming, or of it does how are the new hotels going to be viable concerns at the current rates of interest ranging from 15 to 20 per cent ?

Social Impact

In recent years international tourism has been blamed for disrupting local cultures. Sir George Young, former Chairman of London Tourist Board entitled his extremely readable book—Tourism—Blessing or Blight : published in 1973. A popular book on international tourism is called "The Golden Hordes". It compares present day tourists to barbarians who are descending on old established cultures as the barbarians decended on Rome. A more recent publication based on a seminar jointly sponsored by the World Bank and UNESCO deals with the social and cultural effects or tourism in developing cauntries. The cultural and non-material aspects of tourism are central to many recent books on tourism.

It is true, that mass tourism has had adverse environmental and social impact in certain areas. As Director of Tourism in the Bahamas for 6½ years I had a unique opportunity of observing the effects of a million and half tourists a year on a population of 170,000. The same is true of several other Caribbean Islands like Bermuda, Antigua, Barbados and the islands in South Pacific exposed to tourism more recently.

Tourists generally come from more affluent communities and while on holiday they are inclined to spend for more than their normal pattern of life would permit. One of the social effects over a long period is that they influence the local population to adopt a way of life beyond their means. A process of acculturation starts between tourists and the indigenous societies. Acculturation theory explains that when two cultures come into contact for any duration each becomes somewhat like the other through a process of borrowing. But since tourists stay for short periods they are less likely to borrow from the host community than their hosts fram them, thus precipitating a change in the social and cultural mores of the local people.

One aspect of international tourism which is seldom discussed or rather conveniently pushed under the carpet is the impact on the health of tourists of the environment of receiving countries. If you open the suitcases of American and European visitors to the Third World countries you would find packets of medicines for digestive ailments, malaria and so on and instructions not to drink plain water or eat salads and dairy products. The incidence of stomach upsets among visitors is very high in certain countries, among them I am afraid the countries of this sub continent enjoy an unenviable reputation. Since 3 to 4 million Americans visit Mexico every year considerable medical research has been done in the United States in regard to Mexico where the incidence of sickness is also quite high. I was, therefore, not surprised to see a news item recently that President Reagan carried his own drinking water to Cancun.

Environmental Damage

However, a close look at the situation would show that most of the environmental damage caused by tourism was because local authorities ignored the principles of planned development. Miami Beach in Florida, Torremolinos and Costa Brava on the Mediterranean coast of Spain, have often been quoted as examples of lack of planning. Pattaya in Thailand is another example of haphazard development. As for social and cultural effects most of the studies conducted by sociologists and anthropologists who have now joined the game demonstrate the damaging effects on societies with a weak fabric of cultural traditions. For instance, even though tourism has shown the highest growth rate in the world in Sri Lanka over the last 10 years, it has not seriously impaired the strong local traditions. Reverting to India, 800,000 tourists spending about two million nights in the country would hardly make any visible impact on a population of 700 million. Besides India's social and cultural traditions have been able to absorb all manner of foreign influences over the last 2000 years.

On the positive side modern tourism has definitely helped in the revival of local arts and handicrafts. Tourists are big buyers of handicrafts which has sustained their growth in many developing countries. Some of the 'tourists' innovations in artefacts to make them more saleable may not be desirable but it is for as to preserve their quality and craftsmanship.

One of the most attractive aspects of London is its Theatre. But for the patronage of American and other English speaking visitors half the theatres in London would have closed down by now. I would like to assure you that the present breed of tourist executives and prdmoters of travel all over the world are highly conscious of the value of preservation of heritage. It is the historic monuments of India, Greece, Egypt, Italy, and of many other countries which bring tourists to these countries in the first place. If they are damaged beyond repair much of the raison d'etre of visiting these countries would be gone.

I have made no mention of domestic tourism, not because it is not highly important but because it is a subject by itself which would require a separate lecture. There is no universally agreed definition of a domestic tourist, but it is assumed that quantitatively domestic tourism constitutes 80-85 per cent of world tourism. For instance, 94 per cent of travel by Americans is within their own country. Even though Germans have become the largest international travellers in the world the domestic travel in Germany still constitutes a much bigger segment of their travel.

Domestic Travel

Domestic tourism in fact constitutes the base on which all tourism rests. It is reported that 5½ million of our people excluding commuters travel by rail every day. The number of travellers by bus is probably larger. The volume of domestic travel in India would run into an astronomical figure. Barring the upscale hotels all accommodation and catering establishments are sustained by the Indian clientele. It is, therefore, imperative that in our policies of planning and development of tourism infrastructure due regard should be paid to domestic tourism. If the experience of other countries is any guide I would like to suggest that while the Centre should act as a catalyst and the responsibility for the promotion and development of domestic tourism should be assigned to State Governments and municipal authorities.

Thirty years ago when I started on the great adventure of promoting tourism I had hoped that we would become one of the leaders of this movement. We were endowed with unique tourist resources and we had talent. It seemed that the sky was the limit. I believed in the Greek doctrine that knowledge is condition of what is best and if we were able to establish that tourism would benefit us and improve the quality of life, a purposeful policy would follow. If I have been rather critical of our performance it is really in the pursuit of the good, in the belief that we can still achieve our goals that have so far eluded us.

It was not possible in two lectures to formulate a detailed policy but all that I have said provides a framework for it. To recapitulate, the main elements of such a policy would be : one, to exploit new segments of the existing markets such as holiday and group tourism; two, to promote short-haul tourism from Asian countries; three, to develop the ethnic market of Indian communities domiciled abroad; four. to make the main Buddhist centres accessible by air and develop necessary infrastructure in order to attract Buddhist tourists; five, to develop beach resorts and provide gateway airports near them for direct landing and take-off of jet aircrafs with full pay-load; six, to develop new tourist centres strictly on the basis of their tourist potential; seven, to upgrade international and domestic airports; eight, to give competitive incentives to the tourist industry in order to promote investment, both foreign and Indian; nine, to liberalise the rules governing collaboration in the management of tourist enterprises; ten, to set up a teachers training programme in order to develop adequate human resources; eleven, to increase the plan and non-plan budget for tourism to one per cent of the national budget; and twelve, to give due importance to domestic tourism and assign the responsibility for its promotion and development to State Governments and municipal authorities.

INVEST IN KINDNESS

IN SPITE of crime, cruelty, violence and strife which are deplorably prevalent in life, there is deep down in every man a yearning to sympathise and share on others' sorrows and lend a helping hand to those stricken by distress, disease or calamity. It is this fundamental goodness of the human heart that forms the basis of charity and brotherliness.

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Economic Analysis

Technology Transfers: A Southern Perspective—II

Viren J. Shah

THERE ARE strategies that facilitate the in-flow of technology and strategies that hamper it. Those that have technological excellence as an explicit national goal evidently make for easier infusion of foreign knowhow. Japan, a small country with a large population and virtually no natural resources, provides a classic case study in strategic choice. Conventional wisdom would have dictated a growth strategy based on labour-intensity. Yet here is what they in fact did and why, as set forth in an account of the 'Basic Philosophy and Objectives of Japanese Industrial Policy'.

"Should Japan have entrusted its future, according to the theory of comparative advantage, to these industries characterised by intensive use of labour ? That would perhaps be a rational choice for a country with a small population of 5 or 10 million. But Japan has a large population. If the Japanese economy had adopted the simple doctrine of free trade and had chosen to specialise in this kind of industry, it would almost permanently have been unable to break away from the Asian pattern of stagnation and poverty and would have remained the weakest link in the free world, thereby becoming a problem area in the Far-East.

"The Ministry of International Trade and Industry decided to establish in Japan industries which require intensive employment of capital and technology, industries that in consideration of comparative cost of production should be the most inappropriate for Japan, industries such as steel, oil refining, petrochemicals, automobiles aircraft, industrial machinery of all sorts, and later electronics including electronic computers. From a short-run, static view point, encourgement of such industries would seem to conflict with economic rationalism. But, from a long-range point of view, these are precisely the industries where income elasticity of demand is high, technological progress is rapid, and labour productivity rises fast. It was clear that without these industries it would be difficult to employ a population of 100 million and raise their standard of living to that of Europe and America with light industries alone; whether right or wrong, Japan had to have these heavy and chemical industries." ('The Industrial Pollicy of Japan', Organisation for Economic Cooperation and Development, Paris, 1972).

Few Third World countries can boast such strategic clarity. What they have in most cases is only a long listing of 'goals' and 'aspirations' accompanied by longer verbal texts without any overall thrust or even operative content. Contradictions, instead of being thought through, are sought only to be 'papered over' and are, in fact, often built into them.

A national economic strategy that does not frankly recognise technological excellence as a basic goal is the first 'filter' that obstructs the inflow of technology.

The transnational corporations which are by far the largest source of foreign technology are often viewed with suspicion as instruments of possible political domination. Xenophobia is often rooted in the national psyche of many Third World countries. Even after 34 years of independence, for instance, many in India cannot still forget the fact that it was a trading company, the East India Company, which enslaved their country.

The suspicion is stronger in cases where technology transfers are linked up with foreign capital. Japan provides a unique case of an economy fully open to foreign technology but has been virtually closed to foreign capital, closed for a long time even to foreign loans. President Ulysses S. Grant is reported to have told the Emperor of Japan when his advice was sought by the latter on the desirability of going in for foreign loans : "Look at Egypt, Spain and Turkey and consider their pitiable condition... some nations like to lend money to poor nations. By this means they flaunt their authority and cajole the poor nations. The purpose of lending is to get political power for themselves." (Takahashi, Kamekichi: 'The Rise and Development of Japan's Modern Economy', Tokyo: Jiji, 1969). The Emperor obviously heeded the advice.

The Brandt Commission has this to say on the recent attitudes: "Multinational corporations have (also) been heavily criticised for unethical political and commercial activities. The attempt to bringdown the Allende regime in Chile; the illegal payments by oil companies to Governments in different parts of the world; the support given by certain corporations to illegal regimes in Africa: such cases have exposed the corporations to scrutiny and criticism in the United Nations and elsewhere." Such cases may indeed be atypical. But they arouse much public attention, linger long in public memory and profoundly affect the psychology of the ruling elite in the Third World conntries, especially those with a colonial past.

The least developed countries, with practically no technological infrastructure, are more receptive to transferred know-how than those that have progressed some way on the path of development. It is a strange but valid empirical observation that the receptivity to technology transfers is the highest in the most and the least developed countries. It is in the countries in the intermediate regions that the 'filters' operate most effectively. Several factors are at work in these cases. The scientific and technological community becomes increasingly conscious of itself and its potential, it begins to resent infusion of foreign know-how as the countries concerned move closer to the 'take off' stage and attempts to pre-empt larger and larger areas exclusively for indigenous development. The basic logic employed is often a sophisticated version of the familiar 'infant industry' argument; as in the case of industry, nascent R & D needs protection from outside competition.

Practising technologists begin to feel comfortable with the techniques currently in use and feel insecure in the face of more complex new technologies. Thus while in the case of new industries these countries show remarkable readiness to absorb the latest technologies, they often exhibit equally remarkable technological conservatism in industries in which they are relatively well-established.

These elite groups are strategically placed at the policy-making levels in the Governments of these countries and their power is often enhanced by the presence of fiercely nationalistic lobbies in the political arena. These elite groups thus act frequently as a further filter that hampers the in-flow of technology from outside.

The political postures and policies of the transferor countries can, and often do, impede the flow of technology. The Governments of these countries are normally unwilling to allow sharing of technology in key areas or otherwise to strengthen the economic capabilities of countries which do not fit into their foreign policy framework. Thus the comparative ease with which Japan purchased know-how from the US is exceptional. A large number of countries in the Third World not militarily aligned to either of the power blocs maintain, for geo-political or other reasons, varying degrees of autonomy in foreign policy and do not have the same access to technologies in sensitive areas available in countries of the First World. Like aid, trade in technologies is often a tool of the defence and foreign policies of the transferor countries.

However, Governments of these countries do not, each of them, act with a single mind. One analyst has noted: "A similar diversity of viewpoint may be found within the US Government. Defence-related agencies are generally adverse to the release of technology to Communist countries and other potential adversaries. The Departments of Commerce and State generally favour free trade in technology for commercial or diplomatic reasons. Treasury, because of its concern with balance of payments and tax incidence often takes an interventionist position where the foreign activities of US firms are concerned. The Department of Labour is increasingly concerned over US job losses resulting from the release of US technology." (Jack Baranson: 'Technology and the Multinationals', Lexington Books, 1978).

The technology market is an oligopolistic market. The need on the part of the vendor to sell is not often very great or compelling. The needs of the buyer, however, are often urgent as the buyer nation has neither the time nor the resources to develop the technology on its own. As the Brandt report points out, for proprietary technology, there is really neither a world market nor a world price in the generally accepted sense.

Technologies, again, are sold in packages with diverse components in them—capital, management systems, marketing services—all tied together in a way that makes it difficult for the buyer narions to "unbundle" them. Tied sales thus introduce another element of imperfection in the technology market. Indiscriminate dependence on imports can cripple the development of indigenous technology. Australia and Canada—countries which are relatively affluent—are two contemporary examples of this predicament.

The release of competitive technologies inevitably serves to narrow the technolocal gap between the transferor and transferee countries. The tranferee countries in course of time can become competitors in the world market and cut into the export trade of the transferor countries. If the transfer of technology is backed up by buy-back arrangements, the impact on the production levels in the transferor countries is even more direct. The consequence in either case is erosion of jobs in these countries. "The release", it has been observed, by an analyst of the American scene, "of the most advanced, sophisticated, and hence competitive technologies, particularly to commercially astute and aggressive foreign enterprise can be especially destructive to US production jobs····"The proliferation of internationally competitive industrial technology to Japan, Western Europe, and socialist economies may be weakening the bargaining position of the US firms as suppliers of technology to newly industrialising countries and in trade negotiations with these countries. Japan has become a technological intermediary for many countries of the developing world, having absorbed and adopted segments of US technology. The socialist countries may also assume a similar role if the current transfers are of sufficient volume and are efficiently implanted. These trends in the world economy add to the continuing necessity for US industry to maintain technological leads through investments in R&D and the commercialising of technical innovation within the US production system (as distinct from the tendency to move abroad) as it becomes difficult to maintain production competitiveness in the US economy." (Jack Baranson, op. cit.)

The patent system that now prevails is yet another important filter that obstructs the flow of technology. Patents are no doubt crucial to the promotion of innovation. Yet beyond a point they hinder the diffusion of knowledge and thereby further innovations. A certain balancing of interests is therefore essential. The Group of Eminent Persons to Study the Impact of Multinational Corporations of Development and on International Relations appointed by the UN Secretary-General noted : "Proprietary rights may be used not only to inflate the cost of transfer but also to add a number of terms and conditions which can adversely affect the development interests of the recipient country. This has led certain countries or groups of countries, such as the Andean Group, to declare null and void agreements or contracts containing clauses which, among other things permit the supplier to regulate or interfere directly or indirectly in the management of the purchasing company, establish the obligation to transfer to the supplier innovations or improvements developed by the purchasing company, establish the obligation to acquire various inputs from certain suppliers only, or limit the volume of production. Such restrictions explain an ever-growing preoccupation with the working of the patent systems and the decisions taken by United Nations bodies to work towards a revision of them."

The Group suggests : "The main lines of the action centre upon a revision of a international patent system, including both national patent laws of developing countries and the international patent conventions; the preparation of a truly international code of conduct in the field of the transfer of technology; and the establishment of institutions designed to help the developing countries in dealing with the complex tasks involved in the transfer process." And here is the Brandt report on the same subject: "Nearly all of the world's patents are registered in the industrial states and most of them are in the hands of the transnational corporations. Most patents granted by developing countries are to foreigners, and studies show that they are not used for production in these countries and that they then have the effect of creating import monopolies. Patents are also used to exclude competitors from investment in developing countries. Developing countries are therefore concerned that many restrictive clauses in the present industrial property system tend to strengthen monopolistic and oligopolistic practices among the corporations. The World Intellectual Property Organization (WIPO), which deals with patents and UNCTAD are now discussing possible revisions in the Paris Convention and model laws to secure greater recognition on the part of patent holders of the public interest in developing countries, for example by limiting the duration of patents for certain products."

The 'filters' are in fact many, often multilayered. They are not totally removable in most cases but with understanding and insight, they can be manipulated and adjusted to serve specific ends of policy.

Technology transfers are now being conceived and managed in the categories of conventional trade and are subject, as such, to convention cost-benefit calculus and all the normal pulls and pressures of the international marketplace. There are indeed many things that can be done through collective negotiations to smoothen the trade in technologies and they are undeniably worth attempting. But even more important is the imperative need to try and modify our total perspective on the question; more specifically to cast the very concept of technology transfers in the broader matrix of international interdependence. The North will continue to need minerals and oil from the South. In order to sustain their growth the North will need, too, an ever-expanding market. And market is indeed people. It is myopic to think that the countries in the South shall for ever remain content being suppliers of raw material and energy and purchasers of goods from the North. What is called for from the developed countries is, therefore, not altruism but a better understanding of their own self-interests in a wider time frame.

The buyers and sellers of technology are usually private corporations and Governments normally play only a facilitating role in the transfer processes. The point is to try and expand this role and to provide active impetus and encouragement through such means as modification of the patent system and the tax laws. Most Governments today have a variety of incentives to boost their exports. While many of these are available to the exporters in their own countries, there are incentives made available by the exporting countries to purchasers abroad as well which are generally designed to enhance the capabilities of the latter to import. Given the will, it should not be difficult for technologically advanced countries to device imaginative schemes to boost the trade in technologies.

An indirect but no less beneficial way of utilising the forces of modern technology for the good of the poorer countries is to direct them increasingly into areas of common global concern. "Many of the technological challenges today," says the Brandt report, "are not local needs of single countries, but are part of the basic problem of the survival and conservation of the world's resources." Areas of common interest include management of the oceans and river basins, of the weather and natural catastrophes, afforestation, prevention of desertification, development of alternative sources of energy—to cite a few.

'Technological unemployment' is bound to grow into a major social problem in the developed countries in the coming years, in the poorer countries pre-occupations with unemployment is already hampering technological developments. As less and less of men are needed to create more and more goods and services, the highest creativity is called for in the areas of designing appropriate distributive systems and social engineering.

In the 1840s when Japan was still closed to foreign influences, the American ships badly needed the use of Japanese ports for berthing and replenishing their coal supplies, Japan was then rumoured to have large coal fields. The American Secretary of State, Daniel Webster declared these coal fields to be a "gift of Providence deposited by the Creator of all things in the depths of the Japanese islands for the benefit of the human family." (William L. Neumann, America Encounters Japan; From Perry to MacArthur', Baltimore, Md, John Hopkins, 1963). Enlightened cosmopolitanism or unenlightened self-interest ? No one in the South has been heard to advance such arguments in relation to the technological assets of the North. Yet, there can be no doubt that there are large, unexplored areas where these assets can be used for the benefit of all without detriment to the self-interests of any.

But this world pre-suppose a new order of priorities different from one dominated by the passion for balance of power—'balance' has of late come to mean surplus over equivalence! The more we reflect on this question, the more we get back to the unoriginal, nonetheless vital discovery, that a world system in which arms are available aplenty but food is scarce, is an inherently unstable and insecure system. At a time when the skills of destruction are being traded with gusto, the re-ordering of priorities and the stepping up of the trade in productive technologies are possible only if the men who have the power to do these are moved by other passions.

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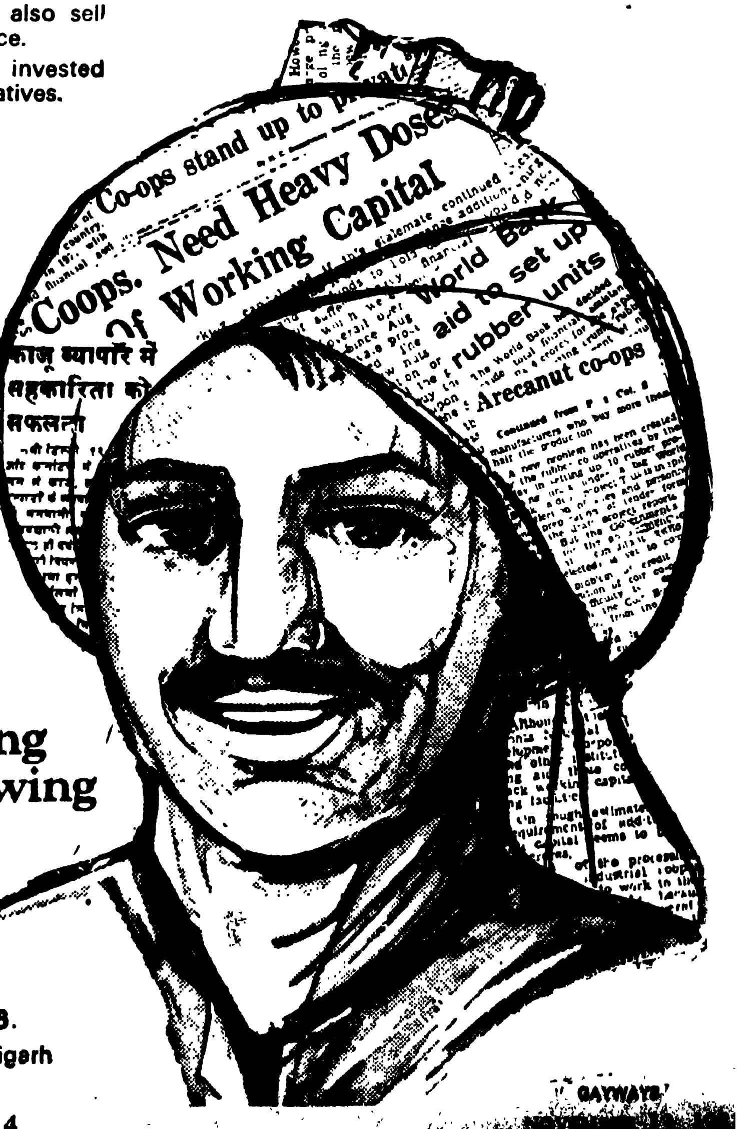
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In the Nation

Assocham's Mid-year Review

AT AROUND this time of the year for the last seven years, ASSOCHAM has been conducting a workshop called "A Mid-year Review of the Indian Economy". Dr Malcolm Adiseshiah, the old war horse, presents a paper reviewing the problems and prospects for the major sectors of the economy. The house is then thrown open for discussion and several other old war horses like S. Bhoothalingam, R.K. Hazari, V.G. Rajadhyaksha take part. Each contributes his mite. Dr Adiseshiah makes a note of such points as are worth noting and after a rather sumptuous (and sleep-inducing) lunch, he sums up the day's deliberations. Everyone then goes home, perchance to return the next year. This year's workshop was different only in that it was chaired by Mr A. Sivasailam, the current President of the ASSOCHAM. Dr Adiseshiah presented his paper, and house 'discussed' various issues.

Notable Omission

But before going into the details, two observations are in order. First, given the kind of men--women don't seem to get invited—that were present, could not the House have discussed the population issue? This vital subject was not touched upon at all. It was almost as though the problem did not exist. After all, when things are shaken down, the basic difficulty in the Indian economy is of the shortages arising out of excessive demand which, broadly, can be traced to there being too many people. Even Dr Adiseshiah, in his paper, was content to confine himself to the technicalities of enumeration and growth rates. The men assembled there might perhaps claim that individually—or even collectively—they can do nothing about it. But they can't bury their heads in the sand in the hope that the problem will go away. Mr Eric D'Costa (former editor of this paper) did make tangential sort of reference to social problems. But even he did not quite get to the root of these.

Second, considering that the workshop is devoted to a review of the *economy* and not just industry, rural development seemed to be absent from the minds of the participants. To say that it is no concern of industry does not reflect very well on the participants. Rural development is of crucial importance to industrialists since it means expanding the domestic market.

Lack of Awareness

Briefly, then, a very simple point is being made: when the eggheads assemble should they confine themselves to problems which affect only them or should they discuss—if only briefly—problems that transcend the immediate and the narrow? It is not often that so many eminent people get together under one roof. Could they not have at least shown *some* awareness? The majority of Indians are not bothered about infrastructure, exports, imports, productivity, plans, black money, terms of trade, taxes, exchange rate baskets and so on. These issues are no doubt important but...

However, back now to what did transpire. Mr Adiseshiah made a plea for demonetisation to deal with black money. This seemed to jolt even Dr Hazari who had the air of one who has heard it all. When his turn came he strongly opposed demonetisation on the grounds that, (a) the dislocation would be too severe to justify the step, and (b) that in any case the logistical difficulties rule it out. Dr Adiseshiah's defence (later on) was that though he was aware of the economic implications, he would nevertheless recommend demonetisation because of the corrupting effect black money has on political life. The truth is that black money has political sanction in so far as it supports politics. The real answer to it, in part, lies in finding some way of legitimising donations to political parties and not in demonetisation.

Another interesting point made by Dr Adiseshiah relates to the terms of trade about which so much has been heard in the recent past. Terms of trade have moved against agriculture, right? Right. They have moved in favour of industry, right? Wrong, says Dr Adiseshiah. It is a section of the tertiary sector—transport and trade mainly—that has benefited. This seemed to go down well with Dr Hazari who indicated his agreement. Since two wise men concur, it would be worthwhile if some detailed study of this could be conducted.

IMF Loan

On the subject of the IMF loan, (whose fate will be known by the time this appears in print), Dr Adiseshiah confessed to being emotional. He said he was upset by three things. First, the fact that the Government did not take Parliament into confidence about IMF's conditions; second, the review clause at the end of each year; and third, the likely use to which this money would be put. Now, if the need to borrow is itself not recognised, there arise too many questions regarding too many issues. But if it is recognised, why cavil at the lender's conditions? Very simply put, does India need the loan or not? If it does, it will have to along with IMF's conditionality. If it does not, why is it borrowing? It would have been far more fruitful if this question could have posed and discussed.

On the subject of inflation, Mr Montek Ahluwalia (who is currently serving time at the Ministry of Finance as Economic Adviser) took exception to Dr Adiseshiah's reckoning that the current (expected) 10 per cent rate of inflation for 1981-82 comes *on top* of the 35 per cent already suffered since 1979. Mr Ahluwalia opined that it was pointless to talk of the past. Ignore it, he said, and look at the fine job the Government has done in bringing down the rate of increase of prices to below 10 per cent this year. Quite ingenious, this argument, in so far as it goes. But alas, while the past can be ignored, its effects cannot. It continues to live with us, making, as Dr Adiseshiah so admirably showed, nonsense of the Sixth Plan projections.

Talking of inflation, Dr Adiseshiah made a rather curious point regarding the recent raising of cash ratio by the RBI. He said it would have been much better if the SLR had been raised and the cash ratio left untouched. Come, come, Dr Adiseshiah, surely you don't want the Government to lay its hands on further captive funds? We all know what happens when it gets access to more money.

Concern at Inventory

On the matter of investment, Dr Adiseshiah expressed concern that inventory accumulation accounted for a large part. It was left to Mr M.S. Patwardhan to point out that continuous inflation causes an imbalance between the (physical) amount of inventory stocked and its financial value. It is quite possible, he argued, that a small increase in inventories shows a more than proportionate increase in financial terms due to inflation. Both views have a certain validity. Inflation does lead to distortions in resource allocation. Perhaps it is this which ought to have been emphasised rather than the financial values of stocks and the uneven mix between fixed asset formation and inventories.

The other major point to come up for discussion was that of labour productivity. Various participants lamented the low productivity of Indian labour. Nobody, however, raised the all important question of what to do about it. Perphaps they thought it was futile to flog a dead horse or perhaps there simply were no fresh ideas. But to a disinterested observer it did sound as though a dose of good, old fashioned discipline (some call it devotion to duty, others pragmatism and a few who have the courage, fascism) would not come amiss.

One last observation, addressed to Dr Adiseshiah. At the very outset of his presentation he said the format of his paper had been very well received. True enough, but here is a suggestion for a minor improvement. It stems from the fact that so many brilliant economists, successful industrialists and other luminaries who form the upper crest of our society attend the mid-year review. Cannot the paper focus somewhat greater attention on the distributional aspects of economic growth? Surely the question of poverty deserves rather more than four tables in the annexure?

Coal Output Trends

EVEN THOUGH the target for coal production this year was raised two months ago from the original level of 121 million tonnes to 124 million tonnes, the trends so far indicate that even the revised programme may prove to be conservative. With the output picking up by 11.3 per cent to 9.61 million tonnes in October alone from 8.6 million tonnes in this month last year, the total production during the first seven menths of the year at 64.59 million tonnes has been higher by 10.1 per cent than the 58.64 million tonnes during the corresponding period last year. Coal India Limited, the premier coal producing agency in the country, has yielded 56.39 million tonnes—10.5 per cent more than the 51.03 million tonnes during April-October, 1980. The overall 10 per cent growth compares with 8.8 per cent increase over the whole year in terms of the revised target and just 6.1 per cent in terms of the original target.

Improvement in production has been recorded by all the five subsidiaries of Coal India Limited as well the Singareni Collieries and the captive mines of TISCO and IISCO, although the operations at Singareni had been affected earlier this year not inconsiderably by the difficult labour situation. The output by October-end had gone up in the Eastern Coalfields of CIL to 12.38 million tonnes from 11.38 million tonnes during April-October last year and that of Bharat Coking Coal to 11.55 miliion tonnes from 10.18 million tonnes. The Central Coalfields had yielded 15.53 million tonnes as against 13.85 million tonnes, the Western Coalfields 16.56 million tonnes as against 15.28 million tonnes and the North-Eastern Coalfiels a little over 0.33 million tonnes as against 0.32 million tonnes. The balance 8.20 million tonnes production was the contribution of the Singareni Collieries and TISCO and IISCO mines. Their yield during the seven months to October last year had been of the order of 7.62 million tonnes.

The despatches of coal to consumers too have recorded a marked improvement. They went up between April and October by 13 per cent to 65.28 million tonnes from 57.74 million tonnes during the corresponding period last year. The increase in despatches to the power sector has been as large as 26.2 per cent. The cement industry has received 24.2 per cent more coal. The supplies to the steel plants, however, have shown an improvement of only 3.5 per cent. The increase in despatches being of a higher order than the growth in production, the pithead stocks at the end of October came down to 15.38 million tonnes from 18.28 million tonnes as on April 1.

Major Problems

Two major problems on the coal front, of course, still remain to be tackled. The first is the opening up of new mines in some parts of the eastern sector, which has been hampered by the clamour of the sons of the soil for employment. The second is the deteriorating quality of coal which is causing no small headache to consumers. While some steps are stated to have been initiated in respect of the latter—removal of extraneous materials such as stone and shale in coal, reduction in the ash content through washing, installation of coal hadling plants with facilities to crush and screen coal to the sizes required by the consumers and more serious adoption of the system of joint inspection and sampling by the producers and consumers, etc,—the former having political overtones, continues to pose serious difficulties. The issue needs to be tackled as such for unless the coal-raising capacity goes up steadily, it may not be possible to maintain the last two years' healthy trends in production from next year onwards.

Are States Ready for Autonomy?

PRESIDENT SANJIVA Reddy's plea for granting more autonomy to the States has been warmly appreciated by the Left Front Government of West Bengal. It may be recalled that shortly after coming into power, the State Government launched a vigorous campaign for more autonomy. It circulated a detailed memorandum among politicians, legislators, intellectuals and other all over the country, explaining the case for the larger devolution of powers to the States. Mr Jyoti Basu also tried to enlist the cooperation of the Chief Ministers of various States for his proposal. Some of them including Sheikh Abdullah strongly supported this move. However, the Left Front leaders did not pursue this issue in right earnest. Now that no less on authority than the President of India himself has put forward the case for more autonomy, the West Bengal Government may be expected to review its campaign more energetically.

The Secretary of the West Bengal State Committee of the CPI (M), Mr Promode Das Gupta, in a statement issued on November 1, welcomed President Reddy's initiative in pleading for more autonomy. In doing so, Mr Das Gupta severely criticised the Central Government for its inefficiency in handling the nation's problems. He complained that most Central Ministers often "roamed about the country" making "irresponsible statements" and they also showed an excessive dependence on the Prime Minister, Mrs Gandhi, which was not conducive to the growth of sound democratic traditions.

Mr Das Gupta's criticism of the performance of the Central administration would have carried greater conviction if the Left Front Government has shown a better record during the last four and a half years. It is true that the State Government enjoys only limited powers under the Constitution but why has it not been possible to handle them with reasonable efficiency? Why, for instance, should the power situation in Calcutta be so bad as to necessitate load shedding even on Diwali night? Why should hospitals be so poorly managed that doctors have to function in fear of being assaulted? There are many other areas where the State Government can certainly do a great deal of good to the citizens but has been unable to act effectively.

President Reddy said that the political and administrative authorities at the State level were better informed and would react and respond more readily to a situation than "a remotely situated Central authority." But the mere fact that the State Government is better informed of the local situation does not necessarily mean that it always takes prompt and correct action in redressing people's grievances.

It is interesting to note that in the USA also there has been lately a move for the devolution of more powers to the States. President Reagan has set up a "federalism task force" to suggest methods for reducing Washington's power over the State Governments. He has expressed his resolve "to renew the concept of federalism and enrich the power and purpose of States and local communities". China is also reported to have decided to give more atuonomy to the minorities in Tibet and Sinkiang and to the Chinese in Taiwan.

R. J. Venkateswaran writes from Calcutta

In India therefore the move for the transfer of more powers to the States is likely to gather momentum in the coming months. But in conducting this campaign care has to be taken not to weaken the authority of the Central Government which alone can effectively maintain our integrity and independence, bring about proper coordination among the different State Governments in matters of national importance, and accelerate the country's economic development.

Public opinion in India is generally in favour of giving more powers to the States. But there are influential sections which feel that the time is not yet ripe for granting more autonomy. They argue that when most State Governments are unable to handle efficiently their existing powers, it will be unwise to provide them with more responsibilities and resources. The State Governments therefore should function with far greater competence at every level and convince the country that they are ready to assume more authority on the lines suggested by President Reddy.

Flight of Capital

A PTI REPORT from Lucknow, dated November 1, said that 65 entrepreneurs from Calcutta had shown a keen interest in setting up projects in Uttar Pradesh, worth Rs 1200 crores. The report revealed that the State's new package of incentives and concessions had found an encouraging response from entrepreneurs for investment in the medium and large sectors. The State Government had issued 91 letters of intent during 1980-81 with an investment of Rs 222 crores compared to 63 accounting for Rs 124 crores in the previous year.

The UP Government has been actively wooing entrepreneurs from other States by giving wide publicity to the facilities and incentives available for setting up new industries and expanding the existing ones. The Industry Minister, accompanied by senior officials, visited Calcutta a few months ago and held a number of meetings with industrialists, at which discussions took place about the possibilities of promoting the growth of large and medium scale industries in UP. Industry Ministers from other States like Rajasthan, Bihar and Punjab had also come to Calcutta for the same purpose but it is not known to what extent they could get a favourable response. However, Lucknow has been lucky in attracting a large number of industrialists from Calcutta. It remains to be seen how many of them will be able to implement their schemes speedily and successfully.

But it is pertinent to ask why so many entrepreneurs from Calcutta have chosen to invest in Uttar Pradesh when the opportunities in West Bengal are no less attractive. The package of incentives offered by the Government of West Bengal is practically on the same lines as the one available in Uttar Pradesh. Industrial relations in West Bengal are no worse than in UP and the law and order situation in the former State is better than in the latter. Why then this exodus of capital from West Bengal? Of course, there is nothing wrong or unusual if entrepreneurs of one State choose to invest in another State or even prefer to go other countries for setting up industries. But the Government of West Bengal should find out if there are any special reasons or circumstances which have led as many as 63 entrepreneurs from the State to divert their investments to Uttar Pradesh.

Industrial Sickness

Whatever may be the real causes for this development, the Government of West Bengal should adopt more effective measures to improve the climate for investment. Industrial sickness continues to persist in this State to a much greater extent than in other States. The number of industrial units assisted by the Industrial Reconstruction Corporation of India as on June 30, 1981 was 83 in West Bengal compared to 8 in Tamil Nadu, 4 in Maharashtra and 3 in Kerala. The Corporation, in its annual report for the year ended June 1981, says: "The working of the industrial units assisted by the Corporation, particularly those situated in West Bengal, continued to be plagued, among other things, by poor power supply position and unscheduled power cuts. As a result, the units found it difficult to improve their working through higher capacity utilisation. The existing work-force thus could not be utilised or employed and the sick units had to bear the additional burden of wages for idle manhours".

The Government of West Bengal therefore should reconsider its industrial policy and make such changes as are necessary in its incentive scheme to make it more attractive. The Government should also create confidence among entrepreneurs about improvement in the power situation in the coming months. If the Government takes appropriate steps on these lines, there is no reason why industrialists should not prefer to invest their profits in West Bengal itself which has immense potential for the development and diversification of a wide range of industries.

Sail Chief's Removal

THE REMOVAL of Mr K. C. Khanna from the Chairmanship of the Steel Authority of India (SAIL) raises a couple of pertinent questions about the personnel policy of public sector undertakings. It had been known for some time that the Minister for Steel, Mr Pranab Mukherjee, and Mr Khanna had differences on such matters as steel imports, the merger of the SAIL Chairmanship with the Secretaryship of the Ministry, the creation of two new companies for the proposed Paradeep and Vishakhapatnam projects. But it was hardly expected that against the backdrop of Mr Khanna's able stewardship of SAIL since August last year and his excellent performance in completing the Kudremukh project according to schedule earlier, he would be asked to relinquish charge overnight though he was on contract for four years.

Steel production, indeed, has registered a remarkable turn-round since October, 1980. The increase during the first seven months of the current financial year has been as much as 29.7 per cent. This heartening development has enabled the SAIL to raise recently by 10 per cent the targets originally set for the five steelworks under its charge. The overall target for the production of saleable steel by these plants has been scaled up from 5.7 million tonnes to 6.3 million tonnes, for ingots from 7.2 million tonnes to 8.01 million tonnes and for pig iron for sale from 1.4 million tonnes to 1.56 million tonnes. Improvement in production during the second half of 1980-81 enabled the SAIL to yield a profit of over one crore of rupees, exclusive of cost escalation, after wiping off a loss of nearly Rs 130 crores incurred during the first half of the year. The profit this year, on current reckoning is expected to exceed Rs 80 crores. These are achievements in which any head of State undertaking can legitimately take pride.

That increased production should result in pruning the import programme for such categories as cold-rolled steel products, bars and rods, though capacity constraints will not permit reduction in the imports of such items as structurals, plates, skelp, etc., was a just expectation. If Mr Khanna pleaded for this, he did the right thing in the national interest when the balance of payments is under severe pressures and the Government has been obliged to seek an unprecedented loan of SDR's 5 million from the International Monetary Fund.

Probably, Mr Khanna incurred the wrath of the Ministry due to the forthrightness with which he tendered advice on matters relating to the steel industry. The merger of the SAIL Chairmanship with the Secretaryship of the Ministry, tried during Mr Mohan Kumaramangalam's stewardship of the Steel Ministry, cannot be said to have proved an unqualified success. It has again been recommended by the R. C. Dutt Committee. The suggestion apparently is debatable. So also the question of setting up new companies to handle the Paradeep and Vizag projects.

Basic Issues

The basic issue involved in Mr Khanna's exit is whether technocrats or bureaucrats should head public sector undertakings. Assured of their career growth, the latter do not very often have the same kind of involvement in their assignments as technocrats have. Further, is it judicious to effect changes in the midst of a process of recovery ?

For Mr Khanna's successor, Mr Samarapungavan, also a technocrat, it should, of course, be possible to maintain the dynamism imparted to SAIL's working during the past 12 months, especially when the power and coal situations have improved substantially. But much depends on the interference he may have to contend with from the Ministry.

Newsprint Rolling from Bhadravati

S. Viswanathan writes from Madras

It is a matter for cheer for newspapers : the success of trial production at the sprawling complex of Mysore Paper Mills at Bhadravati started producing newsprint of acceptable quality standards. The mills commenced trial production in July with imported pulp and it is now slated to be ready for commercial production with indigenous pulp.

Mysore Paper Mills (MPM) was incorporated in 1936 and started with a modest capacity of 4000 tonnes of printing paper. After independence the first major expansion to 8000 tonnes per annum was taken up. In 1964 the capacity was increased to 18,000 tonnes and by 1972 to 24,000 tonnes.

The steep increase in the prices of newsprint and other varieties of paper experienced after 1973 kindled interest in the mills. The Karnataka Government which has made substantial investment in this unit planned a massive expansion. At the end of 1975 when MPM decided to apply for a licence the cost of setting up a capacity for 75,000 tonnes of newsprint and to expand the capacity for other varieties of paper to 37,000 tonnes was estimated around Rs 100 crores, which will make it the largest project in Karnataka outside Kudremukh.

Construction work commenced in 1977 and the plant was expected to be commissioned by mid-1980. Jaakko Poyry Engineering Helsinki, National Industrial Development Corporation and Engineers India Ltd ware appointed technical consultants. Order for supply of newsprint machine was placed with Beloit Walmsley of UK. A number of indigenous firms were also associated with the construction of this massive project. Unfortunately supplies from some of the indigenous sources were delayed resulting in putting back the commissioning schedule by nearly a year.

This delay and also escalation in several directions put up the cost of project by almost 50 per cent, bringing with it lot of problems of tying up huge finances. It taxed the ingenuity of the promoters to tie up the funds needed from various sources. The first Chairman-cum-Managing Director Zafar Saifullah succeeded in attracting Rs 1.2 crores as equity from Indians residing abroad, and also impressed upon the Chemical Bank, USA, to extend a handsome loan of Rs 28.65 crores on attractive terms. Financial institutions have extended term loans to a staggering Rs 58.61 crores. IDBI leads these with Rs 30.80 crores followed by IFCI (Rs 8.69 crores), ICICI (Rs 8.69 crores), LIC (Rs 6.95 crores) and UTI and GIC (Rs 1.74 crores each). Five commercial banks have together extended another Rs 17.85 crores. The Karnataka Government, anxious to get the prestigeous project through, had further committed on a development loan of Rs 10 crores and a soft loan of Rs 4 crores. Internal accruals are estimated around Rs 6 crores. Funding up interest is estimated to yield nearly Rs 13 crores. For all this, the additional share capital will be only a modest Rs 6.93 crores.

Fastest Machine

The build up in production is expected to be through 45,000 tonnes of newsprint in the first year and reaching full production perhaps by the third year. The newsprint machine has a deckle width of 6.8 mtrs and a real speed of 650 mtrs. per minute and this is the fastest and largest paper machine so far erected in India.

The current production of newsprint in the country at around 60,000 tonnes is hardly sixth of the demand estimated around 350,000 tonnes per year. There had not been much enthusiasm to produce newsprint in the country. With the liberal imports permitted with the consumers viz. newspaper being one of the most vociferous section, there had not been much enthusiasm on the part of Indian industry to take to newsprint production. The record of the National Newsprint Mills (NEPA) had also been not too flattering. There had been long-standing complaints on the quality of paper supplied by NEPA. The acute shortage in foreign exchange experienced in the early Seventies and the difficulties in tying up newsprint imports at steady prices kindled interest on the part of Government to set up newsprint production facilities within the country. The State-owned Hindustan Paper Corporation decided on setting up a 75,000 tonnes newsprint plant at Vellur in Kerala; and the Myrore Paper Mills, owned by the Government of Karnataka, which has over four decades of experience in operating the paper mills at Bhadravati, decided to deversify into production of newsprint. The construction of the Vellur plant, started much earlier than the MPM plant, has suffered enormous delays, largely due to labour problem. MPM also has the advantage of commencing production at a time when the prices of newsprint in the international market are ruling high.

But the mills had to be content with several odds. The first is the raw material. MPM requires 126,000 tonnes of bamboo, 88,000 tonnes of eucalyptus and 30,000 tonnes of hard-wood to meet fully its requirement of producing 112,000 tonnes of printing paper and newsprint. The mills are close to the rich forests of Shimoga. MPM has also initiated several measures to improve the yields and also to compress the felling cycle of wood. Being a Government company it has also succeeded in obtaining 30,000 hectares of forest land on lease. It has plans to take up 14,000 hectares in a period of five years commencing from 1982. But much work remains to be done. Nurseries have to be raised and areas have to be demarcated. One wonders if the mills could not have proceeded simultaneously with the development of this to ensure uninterrupted supply.

Of course, the major problem of the mills will be in regard to financial viability. The private sector has not been too enthusiastic about entering this area largely on account of the reservations it had on profitability of operations. With huge investments MPM will have to contend with a very high rate of depreciation and interest charges—estimated at around Rs 25 crores a year. Its debt-equity ratio is also very small which would mean a large outgo by way of interest charges. The small proportion of indigenous supplies to imports would also keep it at a disadvantage. The user industries viz. newspapers would raise hell for MPM if its pricing is very much higher than international prices. At current prices, the turnover even at full production could be in the region of around Rs 60 crores. With the raw material-intensive nature of operations there may not be much elasticity in containing costs.

Viewed against these odds, one silver lining is the scope for much higher yields, thanks to a more sophisticated process. The Cold Soda Refiner Mechanical Pulping System adopted by MPM is estimated to give a yield of 79 per cent of pulp against 40 per cent for conventional pulping systems.

Yet it looks inevitable that the mills will have to look to Governmental intervention to ensure its viability. It may be necessary to pool the prices of imported and indigenous newsprint to ensure a reasonable return on the massive investments made.

Two other areas where MPM will have some anxiety will relate to supplies of power and coal. The huge project has a connected load of 75 MW and will need a minimum load of 43 MW. It has provided for its own generation of 20 MW. Hitherto the experience of large consumers of power like aluminium and paper mills in Karnataka suffering continuous power shortages, has not been too pleasent. It remains to be seen whether there will be any difference after the advent of MPM. Again the supply of coal to tail-end regions like Karnataka has been very erratic. MPM will have to raise 222 tonnes of steam through five boilers requiring over 600 tonnes of coal per day. There is understandable anxiety over ensuring uninterrupted supply of coal apart from the high cost involved in getting this delivered at Bhadravati. MPM may perhaps explore the possibility of utilising lignite char from Neyveli. No doubt, this will be a much costlier fuel than coal, but the proximity to Neyveli and continuous availability may be favourable factors that may outweigh the higher cost to some extent.

The sheer size of the project and the ingenuity displayed by the managers to find the wherewithal for it, give one the hope for the mills getting off the ground and stabilising production in quick time. There is yet another reason that the MPM experiment succeed : to attract more investments in such areas which have not merited much attention at the hands of investors so far.

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Reaganomics Under Stress

V. Balasubramanian

Small Talk from Washington

THE REAGAN administration's budget-cutting exercise looks more and more like the exertions of a dog chasing its own tail. As one projection succeeds another the prospects of a balanced budget keep receding. There is no longer any serious talk in the office of Budget Director Stockman of fiscal 1984 as the target year. He himself has been reported as saying that the drive towards fiscal balance is seriously behind schedule now "for a hundred little reasons and no one's particular fault". Quite uncharacteristically, he has ceased to be aggressive in debate with those who have always been sceptical about administration estimates of a narrowing budgetary gap. Indeed, he has conceded before a Congressional Committee that it may not be wise to dismiss suggestions that the federal deficit may not only persist through fiscal 1984, but may also amount to as much as $100 billion.

Mounting Deficit

Rather belatedly Stockman is recognising the force of the "enormous upward pressures" that get built into the house-keeping activities of Government. He got his latest lesson in realism recently, when the Treasury Department announced that fiscal 1981 had ended with a federal deficit of $57.9 billion, or about $ 3 billion more than was forecast by the administration in March this year. In that year spending totalled about $ 660 billion, which was substantially more than the $616 billion forecast by the Carter administration. This trend is being carried into fiscal 1982, despite attempts made by the Reagan administration to stop the "haemorrhaging". Prospective 1982 outlays threaten to be up by $ 10 billion from estimates made as late as in July this year.

Meanwhile the President seems to have exhausted for the time being, at any rate, his options for cutting spending further, his most recent effort in this direction being a 12.5 per cent reduction across the board in non-military expenditure. Moreover, with Congress yet to make the appropriations which have to spell out actually and in detail the ceilings on overall outlays, the President's first concern may well have to be to retain the savings which he has already secured, especially as the Democrat-controlled House of Representatives is clearly in no mood to pull any Republican chestnuts out of the fire. Indeed, there is undisguised jubilation in the Democratic camp that the administration has been compelled to start thinking in terms of proposing increases in certain commodity taxes or user fees to make up some of the revenue loss from the three-year, twentyfive per cent across-the-board cut in income-tax rates which the President had stubbornly and successfully insisted upon as the Republican strategy for economic recovery. Reagan, of course, is personally unhappy at this turn of events since his political and economic philosophies commit him to resistance to an increase in taxation in any form. But his advisers are telling him that there is no way of dampening the fires of high interest rates except by convincing the markets that the administration will be as good as its word in staying on a non-inflationary track of fiscal restraint.

The President, however, may not be the unhappiest man around. That misery seems to belong truly to the supply-siders who have had so much to do with his tax-cut treatment for the ills of the American economy. One of their leading lights, Congressman Jack Kemp, rightly sees in the current great concern in the administration over federal budget prospects a loss of faith in the supply-side economic doctrine that the tax cut would more than pay for itself by releasing resources for higher levels of economic activity. Kemp and his colleagues argue that the administration should learn to keep winking at federal deficit projections until the tax cut has been able to invigorate the magic of the market place and push up the GNP as well as the Government's cut from it. Willing as the President and most of his men may be to accept this guidance hopefully, they still have the problem of dealing with the financial markets which refuse to shut their eyes to the realities of high levels of Government spending and borrowing in circumstances of monetarist restraints on the growth of money supply. Reagan has thus been faced with a choice between continuing high interest rates and the loosening of the monetarist screw.

Uncertain Administration

There are indications that a good deal of uncertainty has crept into the administration about the right course to follow. While dyed-in-the-wool monetarists, such as Treasury Under-Secretary, Beryl Sprinkel, a dedicated Freidmanite, should certainly be sorry to be associated with any retreat from monetary discipline, they have nevertheless been unable to dissuade Treasury Secretary, Donald Regan, with his Wall Street background, from going public with his view that the Federal Reserve is being too strict perhaps in its interpretation of the requirements of monetary discipline. His debate with the Fed

Super-Power Test Bed for Elcetron-beam Welding

The world's most powerful electron-beam welding facility has been officially commissioned at the Cambridge headquarters of the UK Welding Institute. It can provide 75 kilowatts of beam power in a large vacuum chamber where welds in steel up to 200 millimetres thick can be produced at high speed, and fabrications welded using numerically controlled manipulating equipment.

Electron-beam welding, introduced to industry some 20 years ago was quickly adopted by the aerospace and mass production industries. As the power was increased, so it become possible to weld thick materials.

The development of a 75 kw electron gun by the UK Welding Institute brought the possibility of its use in heavy engineering. Electron-beam welding now offers a jointing rate up to 10 times faster than that of arc welding as well as virtual freedom from distortion and high precision.

The exploitation of this form of welding has, however, been limited because of the high capital cost involved in providing a large enough facility where trials on full-size prototype machines can be carried out to attract major investment. The potential of the process was judged to be so great that the UK Welding Institute decided to build such a facility so that member-companies could investigate the possibility of using high-power electron-beam welding on their own particular products. The equipment is now in full operation.

Chairman, Volcker, has wandered into the arcane of arguments about the relative relevance of various monetary aggregates, but laymen could still see that the issue really is what would be politically expedient for the administration at a time when the President's economic recovery programme is fast losing its veneer of respectability, in the context of his adamant belief that a rising military budget could be reconciled to his anti-inflationary fiscal goals entirely by a combination of slashing social programmes and keeping a tight rein on monetary expansion.

Ironical Situation

If one were to look for ironies in the situation one may not have to search long. Treasury Secretary Regan is beginning to waver on monetarism just when it is starting to do its job of squeezing the economy. It is now official--the American economy is in "slight recession." We have even the President's word for it. In the ordinary course he and everybody else around him ought to be pleased about it as a sign that the economy is taking its anti-inflationary medicine like a good and true Republican. But, then, what is to become of supply-side expectations? Wall Street argues that an upturn must come early enough to prevent further erosion of confidence in the Reagan economic package. Administration spokesmen are making a show of sticking to their forecast that the economy will spin into an upswing early in 1982. But so many of their assumptions have been found to be question-begging that few of their projections are being taken on faith any longer.

Prevailing mood, by and large, is to accept for the present, more or less philosophically, the continuance of interest rates on a high plateau, a certain degree of erratic behavior in the inflation graph and a persisting softness in the economy expressed in unemployment statistics, underemployed industrial capacities, sluggish imports and a quite uncomfortable demand recession for ailing industries, such as automobiles and housing construction.

It is in this context that more than a few votaries of Reaganomics feel provoked to see in the Nobel Prize award for economist James Tobin a sock in the eye for the doctrines and dogmas which have gone into the President's economic package. *The Wall Street Journal*, for instance, has hardly troubled to keep out of its cursory editorial notice a churlish admonition to Keynesians not to gloat too much. This advice is hardly warranted, seeing that the prize is not awarded as a certificate of recognition for a particular school of economics as the only true theology. After all, the list of laureates includes Freidman and Hayek. Perhaps the Nobel peace prize should have gone to Lech Walesa so that the Kremlin would have felt equally insulted.

The citation specifies, tactfully perhaps, that the prize has been given to Tobin for his work in a specific area of economics which has to do with investment planning in the context of national economic policy-making. His "portfolio selection theory", however, is dismissed by the Yale professor himself as simply the "principle of not putting all your eggs in one basket". Actually, it is a highly sophisticated analysis of the behaviour and inter-relations of financial markets under the complex and often volatile pressures or movements of macroeconomic aggregates. His "Q-ratio" measures the relation between physical capital's market value and its replacement cost.

A factor in this relationship is the rate of interest. When interest rates are high, for instance, buying an existing plant may seem a more attractive investment than building a new one.

Tobin, naturally, is no admirer of the Reagan economic strategy. He describes as a "Catch-22 situation" a scheme of economic mnagement which could bring down interest rates only by courting a recession. Tobin has been consistently critical of the social consequences of such an economic programme. He is also similarly opposed to a tax policy that would redistribute wealth, power and opportunity to the wealthy and the powerful and he rejects as false Reagan's claim that his tax cut seeks to reverse a tradition of employing the fiscal instrument for a redistributive purpose. He points out that only the beneficiaries are different and pleads that this change would hit at social justice without improving the performance of the economy.

When President Kennedy asked him to join his council of economic advisers, Tobin hesitated before accepting, his excuse being that he was an ivory tower economist. Actually he has never flinched from fighting for his views in public debate and has in fact been among the more impressive critics of Reaganomics. A label he flaunts proudly before monetarists and supply-siders is "discredited Keynesian", an epithet which, he puckishly suggests, has become "one word, like damyankee". His prescription for non-inflationary growth in the US economy is a mix of monetary restraint and fiscal discipline in proportions somewhat different from those of the Reagan economic package—an easier monetary policy and a smaller tax cut. Tobin is modest enough to know that, however, divergent rival theories or philosophies may be, the practical business of economic management does restricts options to a narrow area of more of this and less of the other or vice versa.

Some Beneficial Changes from the Recession

V. R. Bhatt, London

THE ECONOMIC recession which continues its firm grip on most of the world—North and South, East and West -(with the exception of countries with small populations and large oil revenues and perhaps Japan) is bringing about changes, particularly in the developed nations, which were considered impossible during the earlier periods of economic growth. It affects what had grown up in the Sixties and Seventies "the monopoly power of organised labour" as well as the so-called power of "monopoly capital" in democracies and the egalitarian economic doctrines of Communist countries. It is not a painless process but nevertheless one which indicates that the long hoped for adjustment to economic realities is beginning in the West.

The prime example of the impact on democracies is Mrs Thatcher's Britain where the recession has been aggravated by the rigid application of monetarist policy as the panacea for all economic ills. All West European countries are affected by the recession in rising unemployment and falling output but UK exhibits the changes taking place most vividly (as the USA which follows similar economic policies is now beginning to do). In 2½ years of Mrs Thatcher's deflationary drive by trying to control the money supply through massive cuts in State spending and high interest rates unemployment has risen to three million and the private manufacturing sector has been savaged by the closure of nearly 20 per cent of production units. Curiously these blows to the economy have produced results which though socially damaging can in some ways be considered beneficial.

The most dramatic demonstration of one of the changes comes from the confrontation in the first week of November between Britain's biggest automobile complex, British Leyland (BL) and the trade unions. The BL has been surviving by enormous handouts from the Government (about £ 2 billion so far). The Thatcher Government made it an exception to its policy of not bailing out sick units because it is not only the biggest UK automobile manufacturer but also the biggest employer of industrial labour. Together with ancillary plants making components it gives employment to half a million workers. BL Chairman, Sir Michael Edwards has been trying to restore profitability by closing loss making plants and keeping labour costs low. The trade unions cooperated with him in the last three years by accepting single figure wage increases and thousands of redundancies. The production of an advanced mini-car and a joint veature with HONDA of Japan to produce a family car has also helped.

When the present 58,000 employees of BL demanded through their unions a £ 20 weekly increase, Sir Michael said that the company could afford only a 3.8 per cent increase and a productivity bonus of £ 3.75 which added up to five per cent. The Unions rejected the offer on the ground that their cooperation of three years had sharply reduced the standard of living of their members. Sir Michael's response was to threaten dismissals in individual letters to the workers without redundancy compensation if they struck and the liquidation of BL plants they closed. The unions at first thought that he was bluffing but later resumed negotiations. However the shop stewards voted to call a strike defying the union executives who had accepted a slightly improved offer. Pickets were stationed at plants and it appeared as if the strike would begin and the BL start liquidating, putting the jobs of half a million in jeopardy. But the workers at various plants voted in open mass meetings to reject the shop stewards decision and resumed work.

Adjusting to Realities

Many of the workers have frankly admitted that they did not strike because they felt they would not be able to get other employment at a time when three million are out of work many of whom have no hope of ever being employed. Indeed this fear is widespread and is the cause of moderation. According to the employers' organisation, the Confederation of British Industry (CBI) over 200,000 workers in their member companies have agreed to no wage increases or deferred increases when their companies can afford. This forbearance has caused some bitterness but is a clear sign that even militant labour is adjusting to present economic realities and giving up for the time being at least the demand to maintain their standards of living. One of the myths of Western economies has been the viability of a continuing rise in the standard of living—once also the objective of all Governments and a channel for the extravagant and wasteful use of energy and food and conspicuous consumption.

Some of the employers are also responding in kind. Though Sir Michael

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himself recently demanded and obtained 38 per cent increase in salary to £100,000 a year, a call was made at the CBI annual conference which coincided with the BL confrontation to Board of Directors not to grant themselves increases when they were asking workers for restraint. The ICI has set the example by its top ten Directors refusing to take salary increases and bonuses worth an extra £ 15,000 a year each.

The CBI conference passed several resolutions that the interests of employers and employees should not clash. They urged a radical and new approach to check and reduce unemployment through a national plan for school leavers and the establishment of a joint CBI-Trade Union Congress Action Group. Their previous effort to limit the powers of trade unions gave place at the conference to deploring union-bashing legislation which the Government has proposed, now that Jim Prior who as Employment Minister had resisted it, has been shifted to another portfolio. The CBI also called for reflation by at least 1.5 billion pounds.

Another interesting feature of the British scene is the recent sharp rise in labour productivity even though wage increases have been low or nil. It is being attributed to increasing understanding between employers and employees. A company's survival depends on profits being made and workers are helping by increased productivity and restraint in wage demands. On the management side increased. productivity is rewarded with bonus The result is improvement in profits, productivity and competitiveness in many companies.

Growing Demand

Mrs Thatcher has been encouraged to resist the growing demand in her Cabinet and party to change course by a measure of reflection by the BL success and the increase in productivity. But economic forecasts including by the prestigious London Business School project the recession deepening if the rigid monetarism is not made more flexible and inflation rising and unemployment not lessening. The Business School predicts the economy contracting further by 2.9 per cent this year and 1.7 per cent next year. The Queen's speech in opening the new session of Parliament reaffirms that Mrs Thatcher has no intention to modify her policies. It stresses that the monetarist formula of reducing inflation "by the pursuit of monetary and fiscal policies" will continue. Mrs Thatcher in her statement on the speech said that a new mood of realism and personal responsibility was taking hold of the country. But she apparently does not believe this is enough. New legislation is being introduced to curtail severely "the abuses of Union power" which includes provision for making unions pay companies harmed by union action. It augers ill for the current tendency of realism to develop or the abatement of onion militancy. The Thatcher Government's privatisation also faces widespread opposition and protest. It involves the selling off of profitable parts of the public sector, in telecommunications, State utilities like gas and of oil and gas fields owned by Government. The proceeds are unlikely to go into investment but to pay doles to the swelling army of unemployed, a large part created by Government policy.

Risky Step

The most risky step she has taken is to claim that Britain would emerge from the recession in the next twelve months as a direct result of her economic policies. This optimism is not supported by the stock exchange and by many of her own supporters, the CBI and many members of the Conservative Party. One of the foremost CITY monetarist and a former supporter of Mrs Thatcher in an attack on the Government has said the monetarist policy as carried out by Mrs Thatcher has failed and created the condition that "everyone has to run like mad to stay in the same place". If the British economy does not take off as claimed by Mrs Thatcher, Government would lose what credibility it has and Tina, as she is referred to by her backbenchers would he in grave trouble. "Tina" is made up of her defence of her policy: "There Is No Alternative".

On the Communist side, the most interesting changes are occurring in the Soviet Union. The major one is the introduction of financial incentives to the work force and a cut-down in overmanning in accordance with the decisions taken at the Communist Party Congress in February. So far salaries in the USSR have been determined by length of service a system which inhibited initiative.

Financial Incentives

The new pay scales now announced give outstanding workers 50 per cent above the average while those who develop techniques to Improve production are to be granted royalty rights for their inventions and could make them rich in an egalitarian society. Workers who save energy are to receive bonuses from the savings. Factory managers have been given authority to give rises to the more efficient workers and lay off excessive labour to end the problem on overmanning. This would not mean unemployment for the USSR has a problem of shortage of labour from a steady decline in the growth of population in the European part of the country. The two measures are aimed to increase productivity which has fallen from 6.8 in 1970-75 to 2.5 annually today and to release labour to relieve labour shortages.

The change in the economic system is the most radical in the Soviet Union yet. Earlier the importance of profitability was recognised as the only way to economic viability and the creation of resources for investment. Profitability is no different from the capitalist concept of profit as both create wealth, one for the State and other for the entrepreneur without which a stable economy cannot survive. There have been similar capitalist-oriented changes in other Communist countries. China under the guidance of Deng Xiaoping Vice President of the Communist Party has also introduced financial incentives to workers to encourage initiative and greater productivity. The most prosperous Communist economy in Eastern Europe is Hungary which has adopted many capitalist practices to encourage individual enterprise.

The world recession therefore seems

to be bringing about changes of adjustment to the economic realities of high cost of energy, the depletion of natural resources and the need to balance consumption with production.

$ 5.2 Billion for UN Operational Activities

CONTRIBUTION FROM Governments and other sources for the UN system's "operational activities for development" amounted to $4.6 billion in 1979 and $5.2 billion in 1980, says the first annual report on the matter from the UN Director General for Development and International Economic Cooperation. Total programme expenditures financed from these contributions and net transfers of concessional and non-concessional resources from the development finance institutions of the United Nations system amounted to $4.0 billion in 1979 and $4.6 billion in 1980. Despite the increase in dollar terms indicated by these figures, the volume of resources for the UN system's operational activities for development has remained stagnant in real terms or even declined because of inflation and fluctuating exchange rates.

The report, prepared in response to a General Assembly resolution, contains comprehensive statistical information for 1979 and 1980 on contributions from over 170 Governments and other sources for the UN system's operational activities for development and includs programme expenditures financed from these contributions and from the World Bank. Also given is a breakdown of resources received by over 160 developing countries and territories. This information is further analysed, providing data by developing regions, by organisational entities involved and by various income and country groupings. It is the first time that such comprehensive information encompassing all organisations of the system engaged in operational activities for development has been collected and published. The report also contains information on measures being taken by organisations in the system to improve management procedures, to reduce administrative and other support costs in the execution of programmes and projects.

The report takes a broad overview of the UN system's operational activities in direct support of the development programmes and projects of developing countries. The statistical information is inclusive of all main funding channels for operational activities for development. These funding channels comprise the 19 funds and programmes of the United Nations Pledging Conference for Development Activities (the major ones being UNDP, and the funds it administers, UNICEF and UNFPA). The regular programmes of UN specialised agencies are included insofar as they related to operational activities, as also the extra budgetary contributions placed directly at their disposal. Other organisations included are the World Food Programme (WFP), the International Development Association (IDA), the International Fund for Agricultural Development (IFAD) and the World Bank.

Contributions to the funds and programmes which participate in the annual United Nations Pledging Conference for Development Activities amounted to $1.2 billion in 1980, an increase of less than 10 per cent in current prices over 1979 and implying a decline in real terms. The report also provides information on the extent to which targets established by the General Assembly for the mobilisation of resources for operational activities have been attained. Recent performance has been mixed and contributions have fallen short of the desirable funding levels established by inter-Governmental bodies. The report also contains information on the magnitude of targets established in the immediate past for the mobilisation of resources for several of the funding channels of the system for the first half of the present decade. The performance of contributing countries does not always reflect capacity to contribute, the report says. It provides data on the performance of all countries in terms of per capita contributions, GNP and relative shares.

The report indicates that the share of the multilateral institutions of the United Nations system in the total net ODA receipts of developing countries has stagnated around 12 per cent over the past few years. Data is given on the growth of expenditures by UN organisations financed directly by developing countries for programmes and projects within their respective national territories. Contributions for these purposes amounted to nearly $120 million in 1980. Also given are data on recent trends in ODA disbursements from DAC countries.

In addition to the data pertaining to operational activities for development, the report contains information on contributions to the UN system related to refugee relief, aid to disaster victims and humanitarian activities. Expenditures on such of those activities as were financed by the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), the Office of the United Nations High Commissioner for Refugees (UNHCR), and the Office of the United Nations Disaster Relief Co-ordinator (UNDRO) amounted to $675 million in 1980. In addition, the report gives information on the new system of Resident Co-ordinators of the United Nations system's operational activities for development that came into effect during the course of 1981. The report will be discussed by the Second Committee of the General Assembly under agenda item 70 "Operational activities for development."

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Point of View

Reflections on World Food Day

Sudhir Sen
New York

The Food and Agriculture Organization of the United Nations celebrated its thirtysixth anniversary on October 16, 1981. This had been declared the World Food Day which henceforward will be an annual event. The purpose of this decision taken by the 20th FAO Conference is to urge people—Governments, private bodies individuals—"to renew their commitment and to take vigorous action" to combat world hunger. FAO, according to the author, has received a mandate from history to make concerted effort so that the mankind wins the food-population race, by increasing production to feed a hungry world and to help raise the living standards of global poor.

THIRTYSIX YEARS after FAO's foundation, the agency goes on to say, "at least one out of nine people still suffers from severe malnourishment." World population is growing at two per cent per year, and in many countries per capita supplies of food are decreasing. In 15 countries production of food in 1979 was lower than in 1970; 29 developing countries are now suffering from acute food shortage. The situation is most serious in Africa where people have 10 per cent less food than they had ten years ago with starvation now staring in their face. Here are some more facts cited by the agency to underscore the grim outlook :

—World food production increased minimally in 1979, by less than one per cent and in 1980 the growth was close to zero. For the second year in succession, global cereal production was not sufficient to meet current demand.

—Cereal stocks are dropping for the second consecutive year, perhaps by as much as 17 per cent. They are approaching their lowest levels in 10 years and and amount to about 14 per cent of world consumption, well below the minimum deemed necessary for world food security. FAO considers the present stocks "dangerously low".

—Cereal imports by food-deficit developing nations increased 14 per cent between 1967-69 and 1976-78, while the prices they paid almost doubled, and the freight bills quadrupled. According to FAO Director-General, Dr Edouard Saouma, their import bill is rising 20 per cent per year; it reached an estimated $9 billion in 1980 for the low-income countries alone. The drain absorbed one-third of the developing countries' total export earnings from agricultural products, and it offset twothirds of the official development assistance for that year.

—The import requirements of developing countries, already huge, are still rising. Where will they get this tonnage from ? And how will they pay for it ? Prices are oppressively high and they are relentlessly escalating. For example, wheat prices have gone up 30 per cent since the beginning of the current season. Besides, the developing countries are already weighed down by the external debt buden, amounting to over $360 billion, and the crippling charges it entails, especially at a time of record-high interest rates.

Ths facts are depressing, indeed alarming, but not surprising. The trends have been known for years with the developing countries steadily losing the food-population race and sinking deeper into poverty and hunger. What is surprising is that FAO should go on ringing the fire alarm tirelessly, year after year, and do so little in practice to extinguish it. Its foremost task has long been abundantly clear—to step up food production to feed a hungry world and to help raise the living standards of the masses of people. This is the mandate it received from history, and it is also unequivocally embodied in its own charter. That task acquired on overriding urgency in the mid-Fifties as the demographic trands surfaced with unmistakable clarity : plunging death rates, static birth rates, soaring life expectancy, all resulting in an explosive growth of population. Thus, destiny placed on FAO a responsibility more demanding than even its most farsighted founders could bave foreseen.

And what was its response ? It launched a Freedom From Hunger Campaign with a good deal of fanfare, concentrating its efforts overwhelmingly on how to curb population growth, not how to produce more food to cope with it; building down human fertility, not building up poor nations' agricultural productivity became its primary concern. Thus, in essence it preempted some of WHO's functions while neglecting its own. Worse still, it overlooked the simple fact that the gospel of family planning is irrelevant to the victims of starvation; that the loop and pill must go hand in hand with food and jobs; that they are not only complementary, but also mutually reinforcing.

Blurred Vision

Even after a green revolution spearheaded by the dwarf wheat and rice burst on the scene, FAO's vision remained blurred. It had played no part in ushering it in, nor could it grasp its real significance. In 1969 a top-level FAO administrator assured me that the green revolution "will fizzle out". I was stunned by the remark that capped rather a long discussion, by the cocksure attitude and the lack of understanding it betrayed. It totally missed the vibrant message of hope the dwarfs had brought with them. Together, they heralded the dawn of a scientific revolution in tropical agriculture which had for ages languished in stagnation because it had been denied the revitalising touch of modern science and technology.

Beyond this it has an even deeper meaning. Most of the woes in today's world stem from one of the worst imbalances in human history. Knowledge has exploded on all fronts; technologies have advanced at a dizzying pace and, like an avalanche, have swamped our generation. The developing nations have grabbed with both hands the fruits of chemistry, biology and genetics in the medical field, and have applied them extensively to root out diseases, to slash mortality, and to boost longevity, thereby triggering and propelling a population explosion. But they have ignored the other side of the coin—the imperative need to apply the same scientific knowledge to tropical plants and animals in order to improve their quality, to boost their yield, to protect them from pests and pathogens, so that they could in turn multiply food production fast enough to feed and sustain the fast-multiplying population. To embrace the biomedical revolution for the humans and to forget the "green"—that is, scientific—revolution for tropical agriculture cannot but be fraught with fatal conssquences. It, is indeed, the surest road to a cataclysmic disaster.

War against Hunger

In 1974, when the world was struck with lightning speed by a triple crisis—in food, energy and fertilizer—and a number of countries plunged into near-famine conditions, it seemed for a moment that the conscience of mankind had been sufficiently aroused, that at long last it was coming to firm grips with the awesome problem of world hunger. The World Food Conference which met in Rome in November 1974, ended its deliberations with what it enthusiasically called "Universal Declaration on the Eradication of Hunger and Malnutrition". Among other things, it proclaimed :

> "Every man, woman and child has the inalienable right to be free from hunger and malnutrition in order to develop fully and to maintain their physical and mental faculties. Society today already possesses sufficient resources, organisational ability and techonology and hence the competence to achieve this objective."

And it ended with a resounding call :

> "Time is short. Urgent and sustained action is vital. The Conference, therefore, calls upon all peoples.... to work together to bring about the end of the age-old scourge of hunger."

Seven years have passed since that call. Its echo has died long ago. How the high-sounding rhetoric has been matched in practice should be clear from the dismal facts cited earlier. Once the worst phase of the global crisis was over, the world leaders promptly lapsed into their customary mood of complacency waiting, as it were, for the next crisis to strike. If so, it is a good bet that they will not have to wait too long.

The most tangible outcome of the World Food Conference was the creation of another high-powered body—the World Food Council (WFC) which was in effect superimposed on FAO. What reasons were there to assume that WFC would muster greater will or a clearer vision than FAO in tackling the world food problem ? None whatever. It is but one more proof of what has long characterized the development activities of the UN family: that it excels in generating bureaucratic growth within its own system rather than economic growth in the poor nations.

Serio Comic Controversy

From time to time a serio-comic controversy has erupted over the veracity of hunger statistics. In 1950, the then FAO Director-General, Lord Boyd-Orr, stirred a hornet's nest with a remark he made on the subject. Writing in the *Scientific American* he observed that "a lifetime of malnutrition and actual hunger is the lot of at least two-thirds of mankind." This came immediately under attack. Dr Colin Clark, in particular, used it as a launching-pad for a crusade against FAO which, with a glittering display of learning and zealotry, he carried on for two full decades. And so in January 1970, in an article titled "Too Much Food ?" And published in *Lloyds Bank Review*, one could still see him pressing his jaundiced view that the world was burdened with an over-production of food because FAO had exaggerated the world's food needs. It is sad to reflect that an academician of his status should have expended so much energy on such a whimsical thesis rather than reserve it for some worthier cause.

After all, Boyd-Orr neither claimed nor even implied mathematical accuracy for his observation. What he said was obviously an empirical judgement based on the knowledge that the vast masses of people in the poor nations were compelled to live a life of what Gandhiji called "the eternal involuntary fast." That judgement was far closer to the real world than the views of his carping critics. And it testified to his farsightedness as well as a compassionate concern for the future of mankind,

Inflated Figures

Some in the United States, are once again, vigorously questioning the hunger statistics. For example, in a recent issue of *Commentary* magazine, Nick Eberstadt of the Harvard Center for Population Studies expressed the view that in the world as a whole at the most only about 100 million people were "desperately hungry." This is one-quarter of the number estimated by FAO. And it is, he goes on to say, "a lower fraction, in all likelihood, than for any previous generation in man's recorded history." Mr Eberstadt also had a ready-made explanation for what he believed were inflated statistics about hunger. Its incidence has been "hyped" by "well-paid and well-meaning functionaries who are meant to attend to world poverty and by a press eager to dramatise the issue.

Other statistics, too, have been similarly questioned, UNICEF estimates that more than 30 million children under the age of five died of starvation just last year. But Davidson R. Gwatkin, a demographer with the Overseas Development Council in Washington, believes that child deaths from all causes was probably around 15 million in the late 1970s and that any number higher than 18 million should be suspect. Similarly, FAO's estimate of half a billion people in the developing countries being "seriously malnourished" should, according to another expert, be scaled down to about 100 million.

What about the former World Bank President Robert McNamara's estimate of 800 million "absolute poor", a figure he has used over and over again ? To seek absolute accuracy in a case like this, as everybody knows, would be absolute nonsense. Nonetheless, it it as good a "guesstimate" as one could expect in a matter like this. In any case, it pretty well indicates the magnitude of the poverty problem the world is faced with. It follows that policies based on it cannot go seriously wrong. Those who quibble and squabble with these figures are, one suspects, acting according to a familiar maxim, namely: If you are unable, or unwilling, to face a problem, however grave, play it down, statistically or otherwise, and put it on the back burner.

Prophetic Warning

Lord Boyd-Orr worried if FAO would take its responsibilities seriously enough in tackling the hunger problem. There was a danger that it would produce a lot of reports and documents but little food, warned the blunt-speaking Scottish leader. The warning was prophetic. If he were alive today, he would have been amazed —and shocked—to see what has happened. The agency has grown at a breakneck pace; its personnel, at all levels, has multiplied by leaps and bounds; it has flooded the world with an endless flow of studies, reports and documents; but it has touched its foremost task—that of accelerating food production—at best tangentially.

Suppose, by a miracle, FAO woke up to the realisation that it had a vital role to play in ending world hunger and decided to do its utmost in the spirit of the Universal Declaration adopted at the 1974 World Food Conference and cited eatlier, how should it prcoeed to achieve maximum progress within the shortest possible time ? It would have to gear its action plan, or strategy, firmly to three axioms.

First, it must get away from the excessive, if not obsessive, pre-occupation with balancing the demand and supply of food on a global basis, as if this held the key to the solution of the hunger problem, a delusion it has indulged in far too long. Instead, it must follow President de Gaulle's imperative, "You can't eat what you don't produce," and then make an all-out attempt to produce food within every single developing country to the utmost feasible extent. There may be some exceptional cases like oil-rich desert countries, or Singapore. But they are very few in number and should be treated as real exceptions; they must not be allowed to vitiate the general principle.

Accordingly, in every developing country its aim must be to put the physical resources—the land and water, manpower sunlight and air—systematically to work to rapidly increase its food production with the help of the available science and technology.

Second, it must do its best to persuade every developing country to carry out the long-neglected land reform, which means, above all, giving land to the actual tillers in order to establish owner-cultivation by peasant families on the largest possible scale.

And third, it must give top priority to all-weather roads linking farms to readily accessible markets to provide easy outlets for rising farm surpluses. For obvious reasons such a road-building programme should give the highest priority to the densely populated areas.

There will, of course, be need for a good many other items, such as irrigation, improved seeds, fertilizers, plant protection measures, credit, and price support. But the two factors mentioned above are absolutely basic; together, they constitute the foundation on which alone one can build an effective strategy for rapidly boosting food production within the developing countries.

To use an analogy, standing on two legs is not the same thing as running, but one can never run unless this precondition is satisfied. Similarly, traditional agriculture will not get very far—at best it will continue to crawl—until it is equipped with all-weather roads and its tenant-tillers are turned into owner-tillers; but once these prerequisites are met, it will be ready to move rapidly ahead. Indeed, given the population pressure, the mounting demand for food, the knowledge and technologies already on hand, and the vast untapped potential of their land-water-and-manpower resources, agriculture in many developing countries will be on the march, once it is freed from feudal and spatial shackles.

Can FAO espouse these axioms on the World Food Day, and apply them in practice 364 days a year from now on ? If it does, it can still make rapid amends for a long record of grievous default, still redeem the high promise that had heralded its birth thirtysix years ago, still capture the glories that have been slippin-ing away from its timid grasp. Otherwise the World Food Day will become one more soulless global ritual that will make a mockery of its mission in a hungry world.

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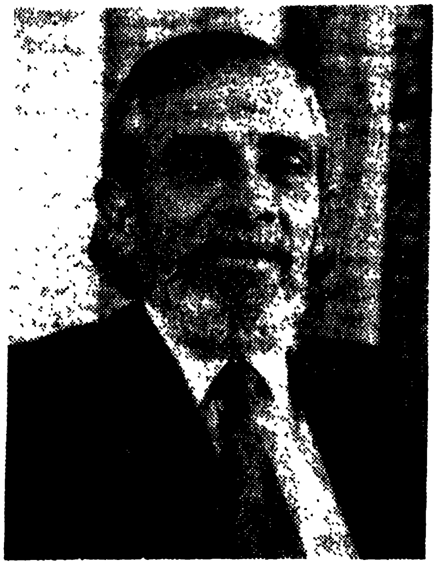

Dr. Bharat Ram

Speech by Dr. Bharat Ram, Chairman at the Annual General Meeting of the Company held on November 12, 1981 at Delhi.

Ladies and Gentlemen,

It gives me great pleasure to welcome you to this Annual General Meeting of your Company.

As you must have noticed from the Balance Sheet, the results of the Company have been very satisfactory during the year. This is in spite of the fact that all the industries in your Company have been affected by substantial power cuts. The textile industry of the country has been passing through a crisis, which is still continuing, as you may have read in various newspapers from time to time. However, it is gratifying to note that the overall performance of our textile units has been better than in the previous year. It is hoped that the modernisation and renovation, which is taking place in our textile units, will further improve the performance in the current year. This will, however, depend on the general condition of the textile industry in the country. I have every hope that if the power situation improves, the profitability of your company would be even better in the running year.

OUR NEW SCHEMES

The Company is planning various schemes of expansion and diversification, which include caustic soda, PVC, sugar, distillery, foundry and a mini cement plant. The Company is also planning to promote a new company for the manufacture of light commercial vehicles. As these plants gradually come into being, the Company's growth would be maintained.

The Company is issuing secured convertible debentures to the tune of Rs 15 crores to augment its working capital and to provide resources for normal capital expenditure. As you will observe from the detailed proposal in this regard that debentures worth Rs 9 crores have been reserved for the shareholders.

I am very glad to announce that the Company has formulated a discount scheme this year for the shareholders of the Company to extend concession on the purchase of Company's full range of textile fabrics. The concession coupons along with the dividend warrants will be mailed to you in the next few days.

TRENDS OF NATIONAL ECONOMY

I have briefly outlined the performance of your Company for the last year. What I would like you to remember is that, for a large enterprise, the performance depends to a great extent on the general state of the economy. It is no longer possible to think purely in terms of our own business. For, our business is a part of what happens elsewhere in the country. I would, therefore, endeavour to place before you some of my impressions about the economy and also indicate some measures, which are necessary to make things move fast.

It is undoubtedly true that our economy has performed better in the last one year. This is so, partly because of the good harvest and partly the improvement that has taken place in provision of infra-structure facilities. This has helped the Government handle the price situation better and, going by the latest indicators, the rate of inflation is now down to 7 per cent. This is commendable. But, can we say that we shall be able to continue with this progress or whether what we have achieved is enough to meet our national problems? We have to build up a vision of the future and work towards its fulfilment.

Today, we are at cross-roads not so much in our development, as in our thinking. We, as a country, have been used to remain insulated, possibly hoping that a large country like ours can afford to be inward-looking and decide on policies which can neglect international economics. This thinking has led to a number of policies, which have become a burden.

I am particularly referring to this issue, because in the present world situation, which is far from satisfactory, the need for a change in our approach to development has become urgent. The oil crisis, the high inflation in almost all countries, recession and unemployment should make us sit up, and consider how the large gaps in our foreign trade can be made up.

We have today a whole range of industries, right from the traditional cotton textiles to the most sophisticated like computers. But, what is amazing is that the scale of operations, the level of technology, the high cost of production in spite of low wages, have placed our industry in an uncompetitive position. We claim to have the third largest technical manpower pool in the world. And yet, our telephones do not work, our power stations are operating at less than 45 per cent capacity, our trains are not running on time, our products do not measure up to international standards. Why should each Plan end up with shortages in one vital area or the other? Why should we import cement, paper, fertilizers, when we can produce them ourselves at half the landed cost?

It is, I think, partly something in our very character as a people. We are not disciplined enough; we are not duty conscious; our nationalism surfaces only when the country is in crisis; we cannot work in cooperation, which is crucial for the success of any national effort. The result is that the Government suspects business; business has no confidence in the labour unions; the unions split and vie with each other. Political parties seem to oppose one another, as a matter of principle, rather than differences in policies. Each segment of society is wrapped up in its own self-interest, reluctant to look beyond its narrow advantage.

It is the system and policies, which inhibit initiative, tolerate and even encourage inefficiency. Our country, for instance, has been in textiles for the last 100 years. And yet, we have been overtaken by many other developing countries like Taiwan and Hong Kong.

In this situation, it is imperative that the leadership acts with a sense of determination, keeping in view the larger goals towards which the country has to move. Discipline requires that one has to forego a little of one's own individual interest for the larger social good.

WHAT IS AFFECTING GROWTH ?

There is certainly nothing new in our national objectives. In fact, the Plans right from the First to the Sixth have set out these objectives in great detail, knowing fully well that they do not even mix. Too many goals give rise to policies, which often conflict with each other and defeat the final result. I have, through the years, watched the evolution of our economic policies and seen how one policy has come into conflict with the other.

If other countries have succeeded, it is only because the different sections—the government, business, labour or farmer—have co-operated towards achieving the central goal of promoting high and efficient production. Growth is the panacea of all economic and social ills. It is this, which enables the countries to export, to generate surpluses for investment, to enhance the rate of progress and thereby enlarge incomes and employment.

Many of our policies have come in the way of higher production, because they were influenced by non-economic considerations. A variety of restrictions came to be introduced in the form of industrial licensing, the MRTP, high taxation, price regulation, import control and even the terms on which finance is made available to enterprises. With all these restrictions, productive enterprise has been stifled and the level of progress remained at an unbelievably low level. Some economists have described it as a 3.5 per cent GNP growth trap. I do not contribute to this trap theory. However, one must admit that, unless production is made attractive and easy, no development beyond 3.5 per cent can really take place.

A high growth will not be possible by depending on agriculture alone. O course, agriculture is important; in fact, crucial. But, agricultural growth by its very nature cannot, on an average, exceed 2½ per cent to 3 per cent. For this reason, it is imperative that industry is made the main vehicle through which progress is brought about. This is borne out by the history of other countries as also our own past record.

The Sixth Five-Year Plan anticipates a growth rate of 8—9 per cent per year. This target is really small in relation to our needs. But, it is doubtful whether even this moderate target would be feasible. The average annual growth in the first two years may be around 6 per cent or so. This performance was achieved primarily through better utilisation of existing capacity, which became possible because of some improvement in the infra-structure facilities. However, industrial growth in future is not likely to depend entirely on better capacity utilisation. What is now necessary is expansion of production capacity. Is this likely to take place without bold measures? I do not think so.

INVESTMENT CLIMATE

To reach the targets set out in the Sixth Plan, investment in the Private Corporate sector will have to be over Rs. 6,000 crores per year in the next three years. Currently, this investment is only Rs 2,000 crores or so.

The limitations are many. Delays in getting the Government's approval for industrial projects are far too long in spite of the short-cuts devised by the Industry Ministry; the Company Law Department takes its own time for MRTP clearances; the financial institutions add on to this delay and even impose harsh terms. For instance, the promoters' quota, which the industry is not always in a position to comply with, has delayed or prevented the execution of projects. This problem has become all the more difficult because the rate of corporate taxation in our country is so high that enterprises are not in a position to retain sufficient earnings, which can constitute the risk capital for securing supplementary funds for undertaking new investment.

Look at Taiwan, where the GNP growth below 10 per cent a year is more of an exception. The secret of this rapid growth really lies in providing positive incentives to capital formation. For instance, capital investment is allowed in Taiwan to be written-off like revenue expenditure. Why can we not think in such terms, which create opportunities for the corporate sector to generate funds for its own growth? Why should the corporate sector be compelled to depend all the time on the financial institutions to get its resources? Equally important, why should investment in companies, which constitute the most productive sector of the economy, be subject to a much higher rate of interest, as compared to borrowing by the Government? The Government borrows at 7 per cent when private enterprises have to pay 22 per cent on credit from banks. The low rate of interest paid by the Government on borrowings naturally pushes up the lending interest rates by the banks. Even this credit is cut to the bone, affecting the cash flow and making small units, in particular, sick.

MALAISE OF PARALLEL ECONOMY

Is it not time for us to ask, if with all the restrictions and regulations, the country has had to live with— acute scarcity, high costs, low exports and inadequate employment generation—whether a re-thinking on the basic issues is not called for? What is even worse, these controls and regulations, supported by the tax system, have led to generation of black money on a high scale. On the one hand, the Government is endeavouring to legitimatise black money by issue of Bearer Bonds. On the other hand, the honest assessee is forced to pay a high rate of taxation.

In this respect, two steps, in my opinion, will help in reducing the creation of black money, if not eliminating completely ·

(i) The capital gains tax must be reduced to the bare minimum. This will, in fact, increase tax revenue of the Government;

(ii) The income-tax on salaried people must be reduced considerably. The salaried class, whether in the Government service, or in private service is the intelligentsia of the country. Can one expect the highest paid civil servant, who has a carry-home pay of Rs 1,700 to Rs 1,800 per month, remain honest? Can the Government hope to get the best brains at these emoluments?

The demoralisation and corruption, which has crept in our body politic, must be halted. This can be done only by reducing the temptation for evasion of tax on the one hand, and reducing the demand and supply gaps by increased production, on the other.

THE ANSWER

The fact is that, we have got into a vicious circle of low production, high prices, little employment generation and excessive inefficiency which, in spite of the high rate of investment, produces only a low rate of growth. It is this vicious circle that requires to be attacked in order to place the economy in a high growth orbit. What needs to be done?

—*If we need growth in industry, we have to entrust it to people, who can promote that growth with the greatest efficiency and speed. The Government should not waste too much time in scrutinising the applications for industrial licences or in examining whether the enterprise or a business house will enjoy greater economic power with the implementation of a new project. Rather, the Government should insist on the business houses, if I have to use that word, to implement a project within a certain time and be made responsible for any delay that occurs. Of course, it would be the legitimate duty of the Government to provide such facilities, that are necessary to see that the project goes on stream in time. We just do not realise and calculate the cost of delay both in financial and physical terms for the country.*

—*To generate resources, it is of importance that the rate of company taxation is brought down very substantially. This will also make it possible for us to compete in international markets and to keep our prices low. This may for a time reduce revenues of the Exchequer. But within a period of less than three years, the additional yield from higher production, will more than compensate for the initial loss. All that the Government may be required to do is to postpone some of the less important projects and economise on wasteful expenditure. The States must be persuaded to have greater financial discipline.*

—*The rate of return on investment has to be adequate enough to make the investment worth-while. Price controls, in this context, need to be revised to incorporate the rate of return, which will enhance capacity rapidly and help remove shortages. If companies are in a position to earn a fair return and pay a fair dividend, the capital market will regain its poise. The Government should aim at making it possible for companies to raise Rs 1,000 crores a year by way of new Issues, as against only Rs 100 crores a year now.*

—*The labour movement has to reorient itself towards the welfare of the society as a whole, of which they are only a part. Inter-union rivalry has been the bane of our industrial relations. One union for one industry would be the right approach, with an interference from outside.*

—*In order to improve balance of payments position, every effort will have to be made to increase our exports. I would suggest that, the proposal for 100 per cent export units needs to be reconsidered. An unduly high per cent export is a very difficult business, even for the multinationals. What may work is the permission to sell indigenously, say upto 50 per cent of the production depending on the type of product.*

When the industrial policy is reoriented on these lines it would be possible not only to reach a high level of growth and stable prices but also to export and generate employment. We have to look ahead and draw lessons from other countries which have succeeded.

SELF-RELIANCE

Let us not forget that we cannot now depend too much on foreign aid. The international concept of social justice is rapidly changing. Developed countries and even International Financial Institutions are reluctant to assist. It must be realised that we shall have to depend on our own efforts. It is for this reason, that our policies have to be modified with the objective of releasing to the fullest extent the forces of growth and to utilise in every possible way domestic resources, talents, skills and enterprise for the good of society. It is this perception of the Indian economy that can deliver us from the poverty of the ages.

I hope that some of the suggestions may attract the attention of the policy-makers.

In the end, I would like to thank all our workers and staff for the hard work and devotion, which has resulted in such satisfactory performance of your Company.

Note : This does not purport to be a record of the proceedings of the Annual General Meeting.

DCM

STATE OF THE ECONOMY

Exploration for Fertiliser Minerals

THE GEOLOGICAL Survey of India (GSI) has launched an All India Phosphorite Scheme for exploration for fertiliser minerals. This follows the recent phosphorite finds in Madhya Pradesh and Uttar Pradesh as also in Andhra Pradesh. The GSI has also extended the hunt for potash in the desert terrain of Rajasthan to the adjoining parts of Haryana and Punjab. Although a costly exploration programme, it is desirable to pursue this considering the present dependence on import to meet the potash requirements. According to GSI it is the only area in a geological setting, the like of which is unknown so far in the country, where there is a great possibility of striking massive potash deposits. As a result of work done in the last three years, the GSI has already identified extensive sources of halite in Rajasthan. The expectation of striking beds of potash of adequate thickness is, therefore, reasonably high.

Role of Public Enterprises

The Union Minister for Industry and Labour, Mr N.D. Tiwari stated recently that the Government views public enterprises as an instrument for social change, which have to work in the directions indicated by the Government's policies. Mr Tiwari was addressing the meeting of the Executive Council of Public Enterprises Centre for Continuing Education (PECCE), the first under his Chairmanship.

The Minister said that a new direction and purposiveness has been sought to be introduced into the PECCE's working so that it can assist, wherever possible, public enterprises and possibly even Government policy-makers, consonant with the objectives for which the centre has been set up. That it has found a ready and enthusiastic response from public enterprises seems to be indicated by the fact that from March 1978 to date, 47 programmes have been held and over 1,600 people have participated in programmes ranging from trade union development, personnel policy and strategies, middle-management motivation, project management, materials management and other standard training programmes.

Assured Finance

Regarding the assured financing of the centre's activities, Mr Tiwari said that he hoped that the contributions allocated to various Ministries and their public enterprises will be paid in full, and in time, so that any uncertainty in the minds of professional and other staff working in the centre is removed. After all, the requirements of the centre are quite modest in relation to many other institutions trying to do similar work, and if it can be made effective at such modest levels of financing, it should be possible to ensure its continued existence.

Particularly, large units, e.g. BHEL, SAIL, HMT, ITI, MECON and other corporate giants of the public enterprise system have to consider their contribution not merely from the angle of what the centre has done for them specifically but also what and how much the centre has been able to do for other, smaller public enterprises who may requisition its services. The larger units thus have a duty to helping and upgrading effectiveness of small public enterprises, and this is a view-point which they will share and support, in practical terms by not being late with their assessed contributions for the centre.

Fishing Harbour Projects

Substantive measures have been suggested by the Programme Evaluation Organisation (PEO) of the Planning Commission to check time and cost over-runs and to ensure efficient implementation of fishing harbour projects. In its evaluation report on the projects, the PEO has recommended steps to check increasing hold of middlemen on small fishermen by integrating credit with marketing and supply of extension services, to provide adequate financial support to traditional fishermen for increased mechanisation of boats and thus channelise benefits to them in the shape of better employment, earnings, and acquisition of assets.

The study by PEO, conducted at the instance of Ministry of Agriculture and Rural Reconstruction during 1979-80 related to five fishing harbour projects. These are two major harbours of Cochin (Kerala) and Visakhapatnam (Andhra Pradesh), and minor harbours of Karwar (Karnataka), Port Blair (Andaman & Nicobar Islands) and Tuticorin (Tamil Nadu). According to the evaluation report, Cochin, Karwar and Visakhapatnam harbours were being fully utilised, even beyond their targetted capacities. The Tuticorin fishing harbour has still to attain its capacity and Port Blair harbour remained unutilised due to lack of necessary infrastructure, other than jetty.

In regard to project implementation there was time overrun varying from 24 months to 76 months in construction resulting in price escalation and revision of estimates. The actual expenditure incurred on the completion of selected fishing harbours shows that there was cost over-run varying from 34 per cent in the case of Cochin to as high as 177 per cent in the case of Port Blair. In different selected harbours (excluding Port Blair), there was an increase in the number of mechanised boats ranging from 94 per cent to 410 per cent. Consequently, fish landings had also increased to a considerable extent. There was a sizeable rise in the exports of marine products ranging from 22 per cent to 99 per cent.

Tea Zone for Excise Duty

The Government has decided to carve out a new tea zone covering tea growing areas in the States of Bihar, Uttar Pradesh and Himachal Pradesh. The tea grown in these areas will be liable to a basic Central excise duty of twenty five paise per kilogram. Simultaneously some minor changes have also been made in the existing duty structure of co-operative and bought-leaf tea factories. These decisions have been given effect to under a notification issued on November 5, 1981.

Hindustan Petroleum Expansion

The Hindustan Petroleum Corporation (HPC), currently busy expanding its Visakhapatnam refinery capacity from 1.5 million tonnes to 4.5 million tonnes, has also submitted a proposal to the Government for the expansion of their refinery at Bombay by 2 million tonnes. The proposal is under consideration of the Government. The Corporation has an investment programme Rs 400 crores during the Sixth Plan period and some of the major projects now under implementation under this programme include the expansion of the Lube Refinery by 74,000 tonnes, expansion of the Vizag Refinery by 3 million tonnes construction of 170-km product pipeline from Bombay to Pune, setting up of a number of cooking gas bottling plants and completion of a sulphur recovery projects at their Bombay Refinery.

HPC has already commissioned cooking gas cylinder filling plants of 25,000 tonnes per annum capacity at Bombay, Bangalore and Nagpur. Two more bottling plants at Hyderabad and Indore are under construction. The Corporation proposes to provide new cooking gas connections to about two lakh consumers during the next financial year. The Corporation Chairman, Mr R.M. Bhandari, recently presented a dividend cheque for Rs 2,12,80,000 to the Minister for Petroleum, Chemicals & Fertilisers, Mr P.C. Sethi, for the year 1980-81. The Corporation has declared a dividend at 14 per cent this year as against 12 per cent in the previous year. The Corporation earned an all time high profit before taxes of about Rs 34 crores, the next profit after taxes being Rs 16.5 crores.

IDA Credit for Urban Development

The International Development Association (IDA) has approved a credit of SDR 22.2 million (US$ 25 million) to India. IDA is the concessional lending affiliate of the World Bank. The IDA credit will assist a US$ 51.7 million project aimed at providing improved shelter and urban services in Kanpur, the largest city in Uttar Pradesh State. Kanpur is the fourth city in India to receive funds from the World Bank and IDA for improving urban services including housing and transport. The others are Bombay, Calcutta and Madras. The project will also strengthen metropolitan planning and management in Kanpur and other urban areas in the State.

The project will support the development of three "sites and services" areas covering a total of 480 acres. About 14,800 residential plots and 540 small industry plots will be established and provided with access roads and a full range of urban services. For the major investment components, about 90 per cent of total costs are expected to be fully recovered through plot sales, land and improvement charges, and loan repayments. The project will also strengthen the municipal agencies responsible for providing urban services in Kanpur. The IDA credit of SDR 22.2 million to the Government of India will be for 50 years, with 10 years of grace; it will be interest-free but will carry a service charge of 3/4 of one per cent per year to cover IDA's administrative costs. The credit will be committed when funds are available.

Importance of Tourism

Mr A.P. Sharma, Minister for Tourism & Civil Aviation, said recently that tourism should become one of the major instruments of economic growth in the country. Infact, it should be the main economic activity to improve the balance of payment position in international trade. Inaugurating the National Seminar on Travel and Tourism, the Minister said that tourism in this country can play this role effectively by fully tapping its tourism potential. He pointed out that out of the total estimated 285 million world tourists arrivals in 1980, India's share was only 0.28 per cent of it. Mr Sharma said that a number of steps have been taken to attract more foreign tourists to India. The country has been divided into 61 travel circuits for developing tourism infrastructure. Efforts are being made to sell India in the major overseas tourist potential markets.

The country has set a target of attracting 3.5 million foreign tourists by 1990. It will be requiring about 70,000 hotel rooms to accommodate this big number of tourists. So far there are 363 approved hotels in the country with 22,300 rooms. Another 150 hotel projects are under way which, on completion, will add 12,200 rooms. Still the country will be requiring more hotel rooms.

Mr Sharma called on the private entrepreneurs to come forward to bridge this gap in hotel accommodation. He said the response of the private sector in building hotels in the country has so

THE DELHI CLOTH & GENERAL MILLS CO. LTD.

NOTICE

It is hereby notified for the information of the public that the Delhi Cloth & General Mills Co. Ltd. proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi, under sub-section (2) of section 22 of the Monopolies and Restrictive Trade Practices Act, 1969, for approval for the establishment of a new undertaking for manufacturing Linear Alkyl Benzene. The turnover is expected to be Rs. 75 Crores. Other particulars of the proposed new undertaking are as under:

1. Name of the proposed undertaking — A new name will be given to this undertaking.
2. Name (s) of the persons or authority/authorities proposing to establish the new undertaking. Where it is a body corporate, furnish details of its management structure together with those of the proposed undertaking. — The Delhi Cloth & General Mills Co. Ltd., Delhi. It is managed by Managing Directors. The new undertaking will be a unit of Delhi Cloth & General Mills Co. Ltd. and will be managed by the existing Managing Directors.
3. Capital structure of the applicant person or authority and of the proposed undertaking. — (Rs. in Crores)

	Applicant	Proposed undertaking
Authorised, Issued, Subscribed and paid-up	50.00	It is not proposed to raise any share capital separately for this project.
Preference	1.67	
Equity	17.40	
Total	19.07	

4. Proposed location of the new undertaking. — Near Petroleum Refinery in Manali (Near Madras, Tamil Nadu) or in Visakhapatnam, Andhra Pradesh.
5. Brief outline of the cost of the project, the scheme and source of finance. — The estimated capital outlay is Rs. 60 crores, which is proposed to be financed by long terms loans and internal resources.

Any person interested in the matter may make a representation to the Secretary, Department of Company Affairs, Government of India, Shastri Bhawan, New Delhi, within 14 days from the date of publication of this notice, intimating his views on the proposal and indicating the nature of his interest therein.

SHRIRAM

S/d
(S. RATNAM)
EXECUTIVE DIRECTOR

far been encouraging. A number of new entrepreneurs were extending their activities by diversifying into the hotel industry. In Delhi, he said, out of the 10 new hotel projects under construction in connection with the Asian Games, four have been taken up by new entrants.

Managerial Efficiency in Fertiliser

Managerial efficiency is of prime importance in removing the two major weaknesses in the fertiliser industry : low capacity utilisation and excessive time and cost over-runs in construction of new projects. This was stated recently by Mr Mohd. Fazal. Member, Planning Commission. Mr Fazal was inaugurating a course for Senior Plant Managers on General Management, organised by the Feriliser Corporation of India. The subjects discussed at the course covered various aspects of management in a modern enterprise.

Fertiliser industry, Mr Fazal said, is capital intensive, but due to the overall capacity of resources, it is of utmost importance that the investment made in the industry are optimally utilised. But till recently, capacity utilisation in this crucial industry was only 60 to 65 per cent.

There have also been serious delays in the construction programme of new fertiliser projects, resulting in excessive cost over-runs. "Apart from pushing up the capital cost of the projects, these delays also deprive the economy of the badly needed fertiliser inputs from these units during the period of such delay". Mr Fazal said that factors to blame for this are inadequate preparation of project, lack of close monitoring and the inability to take crucial decisions at the right time. He urged the need to recognise the fact that the management performance was to be judged not in terms of providing well argued re sons for its failures to accomplish the task, but in its ability to anticipate problems and to take corrective measures in time in order that the corporate objectives are accomplished successfully.

Mr Fazal referred to the Sixth Plan perspective to expand the fertiliser industy in a large way with a target of 4.2 million tonnes of nitrogen in 1984-85 and 9.7 million tonnes by 1994-95. On account of the time lag in the implementation of projects it would not be possible to achieve self-sufficiency in nitrogenous and phosphatic fertilisers during the Sixth Plan, but he said, our objective should be to realise this in the earliest phase of the Seventh Plan period. To this extent the Plan perspective may even require a review in course of time.

Low Cost Housing

It is proposed to set up a new Rural Housing Wing of the National Buildings Organization (NBO) at Gauhati to cater for the States in the North-Eastern Region. It will give special attention to improvement of housing conditions in the rural and tribal areas, taking into consideration the local conditions arising out of mountainous terrain, heavy rainfall and earthquake, etc. So far the Rural Housing Wing of NBO located at Howrah was catering for the needs of these States in respect of investigations in improved use of local materials. It has also been organizing training of technical personnel, Block Development Officers and Panchayati Raj Officers etc. in rural housing and village planning and undertaking extension work to promote low cost housing and other types of rural building.

Clusters of low cost demonstration houses have been constructed in each of the 12 districts of Assam, the total number of houses constructed being 542. Constructed with only local materials, these houses are earthquake resistant. Care has also been taken to see that the houses are not damaged in the event of floods which occur in these areas frequently. With a plinth area of 20.63 sq. mts. each house costs as low as Rs 2,700. A similar cluster of 20 demonstration

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APOLLO TYRES LIMITED

NOTICE

It is hereby notified for the information of the public that Apollo Tyres Limited proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi, under sub-section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act, 1969, for approval for the establishment of a new undertaking for manufacturing and marketing of Automobile Tyres and Tubes. The annual production of the new undertaking is estimated to be Rs. 60 crores approximately. Other particulars of the proposed new undertaking are as under :

1.	Name of the proposed undertaking	: No new name will be given to this undertaking.
2.	Name(s) of person(s) or authority/authorities proposing to establish the new undertaking. Where it is a body corporate, furnish details of its management structure together with those of the proposed undertaking.	: Apollo Tyres Limited is managed by its Managing Director under the over-all control and supervision of its Board of Directors. The new undertaking will be managed by the management of Apollo Tyres Limited.
3.	Capital structure of the applicant person or authority and of the proposed undertaking.	: **Authorised** Rs. in Crores —Equity 10.00 — Preference 2.00 **Issued & Subscribed** – Equity 7.00 —Preference 0.75
4.	Proposed location of the new undertaking.	: It will be located in the backward area in Ropar District in the State of Punjab.
5.	Brief outlines of the cost of project, the scheme and source of Finance	: 1. The total cost of the said Project is estimated at Rs. 17 Crores. 2. **Source of Finance** **Rs. in Crores** —Long Term Borrowing 12.00 —Internal Cash Accounts 3.50 —Fresh Issue of Capital 1.50 Total 17.00

2. Any person interested in the matter may make a representation to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, New Delhi, within 14 days from the date of publication of this Notice, intimating his views on the proposal and indicating the nature of his interest therein.

For APOLLO TYRES LIMITED
(U.S. CHOUDHARY)
Company Secretary

Dated this 6th day
of November, 1981.
REGISTERED OFFICE :
Cherupushpam Building,
Shanmugham Road,
COCHIN-682 011 (KERALA)

houses has also been constructed in Tripura. Built with local materials such as bamboos and clay roofing tiles, each house in this cluster, with a plinth area of 20.8 sq mts., costs Rs 2,780. A Regional Cell of NBO has been set up at Shillong in order to propagate new design concepts, materials and construction techniques for effecting improvement in building and achieving reduction in cost of housing construction. The cell gives a special attention in tackling local building problems.

Textile Exporting Developing Countries

A Conference of Developing Textile Exporting Countries who are signatories to the Multifibre Arrangement (MFA) was held in New Delhi from November 2 to 6, 1981, to assess the present status of the ongoing negotiations on the future of MFA. It also worked out their approach strategy for the next meeting of the GATT Textile Committee scheduled to be held at Geneva from November 18, 1981. The conference was inaugurated by Mr Pranab Mukherjee, Union Minister of Commerce, Steel & Mines.

The current four year term of the MFA expires on December 31, 1981. The developing countries main concern in the future dispensation is to secure a more liberalised regime for world trade in textiles than the one obtaining now. World trade in textiles and clothing has been regulated since 1961 by Textile Agreements—the short-term arrangement, the long-term arrangements and their successor, the MFA. These arrangements have been unique in many ways, having been devised as a necessary temporary derogation from GATT based on the peculiarities and complexities of the sensitive area of textiles, and having the objective of harmonising the interests of trade and development of both exporting developing countries and importing developed countries. The MFA negotiated in 1974 provided a multilateral legal cover for trade in textile among the contracting parties.

The MFA was conceived as a derogation particularly from the safeguard provisions of GATT, since the complex procedures and conditions attached to normal GATT safeguard action was considered neither feasible nor appropriate for devising quick solutions to problems arising out of the disruption of sensitive areas in the textile industry in the importing countries; at the same time, the arrangement sought to enable the restrained developing countries to achieve quick and substantial growth in their trade.

ARDC Sub-Offices

Sub-offices of the Agricultural Refinance and Development Corporation have been opened in Simla (Himachal Pradesh) and Agartala (Tripura) under the charge of Chandigarh and Gauhati Regional Offices, respectively. The sub-offices are expected to maintain close liaison with the concerned State Governments and play a developmental role for promoting rapid progress of agriculture and allied sectors in these regions.

National Institute of Construction

Mr Bhishma Narain Singh, Minister of Works and Housing has expressad the hope that a National Institute of Construction and Maintenance Management would be established in the country to ensure that the vast investments being made in building assets were put to efficient and economical use. Such an institute, he felt, was indispensable for training large number of engineers and technicians engaged in public works not only in the CPWD but also in other States and Central departments, public sector undertakings and technical organisations.

The Minister, who was inaugurating a week-long Refresher Course on Construction Management organised by the Training Wing of the CPWD in New Delhi recently, stressed the need for application of modern techniques of management to public works so that the projects were completed within specified time, the cost was kept at the minimum and the quality was ensured. The Minister said the CPWD was currently executing construction and maintenance works to the tune of nearly Rs 150 crores. Works of such a large magnitude, he

Bharat Sugar Mills Limited

NOTICE

Notice is hereby given that the Fiftieth Annual General Meeting of Bharat Sugar Mills Limited will be held on Tuesday, the 24th November, 1981 at 3.00 P.M. at 9/1, R.N. Mukherjee Road, Calcutta-1. for the following purposes:—

1. To receive and consider the Report of the Directors and to adopt the Audited Accounts of the Company for the year ended 30th June, 1981.
2. To declare dividends.
3. To elect Directors in place of Shri S.C. Roy and Shri V.K. Poddar who retire by rotation and being eligible offer themselves for re-election.
4. To appoint Auditors and fix their remuneration.

As Special Business:

5. To appoint a Director in place of Shri Bhagirath Murarka who was appointed as an Additional Director by the Board of Directors. His term of office expires at this Annual General Meeting. A notice in writing has been received by the Company from a member proposing his candidature for the office of Director and signifying his intention to move the following resolution as an Ordinary Resolution:

   "Resolved that Shri Bhagirath Murarka be and is hereby appointed a Director of the Company."

6. To appoint a Director in place of Shri Susanta Niyogi who was appointed as an additional Director by the Board of Directors. His term of office expires at this Annual General Meeting. A notice in writing has been received by the Company from a member proposing his candidature for the office of Director and signifying his intention to move the following resolution as an Ordinary Resolution.

   "Resolved that Shri Susanta Niyogi be and is hereby appointed a Director of the Company."

By Order of the Board
S.K. AGRAWALA
Secretary.

9/1, R.N. Mukherjee Road,
Calcutta-1, the 23rd October, 1981

NOTES : 1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.
2. The Register of Members of the Company will remain closed from the 17th November, 1981 to the 24th November, 1981, both days inclusive.
3. Members are requested to notify immediately any change in their address to the Company.
4. Declarations in Form '14-B' under Income Tax Rules, 1962 read with Section 194 of the Income Tax Act, 1961 to be effective must reach the Company on or before the 17th November, 1981.

Explanatory Statement as regards item nos. 5 & 6 has been sent directly to the shareholders.

said, could be efficiently handled only if modern practices were adopted by engineers at all levels with sound technical knowledge, dedication and integrity.

Names in the News

Mr Nigel John Forsyth has been specially assigned by the Fenner Group in UK as the Managing Director of Fenner (India) Limited. Mr Forsyth, a Fenner Group Executive is a Mechanical and Production Engineer by profession, who brings with him a sound and varied experience of having fully and successfully directed the affairs of three engineering companies. He has prior to joining the Fenner Group been the Chief Executive of companies in the Smith Industries Group, a multinational based in the UK. Mr Forsyth has taken up the official appointment as Managing Director from September 1, 1981.

Mr P.P. Mistry, Secretary, Mahindra Ugine Steel Company Ltd and **Mr D.B. Saxena**, Executive Director & Secretary, Kothari (Madras) Ltd, have been elected the President and Vice-President respectively of the Institute of Company Secretaries of India.

Notice Pursuant to Rule 4A (1) of the Monopolies and Restrictive Trade Practices Rules, 1970

NOTICE

It is hereby notified for the information of the public that Wheels India Limited, 180, Mount Road, Madras-600 006, proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi, under Sub-Section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act, 1969, for approval for the establishment of additional manufacturing facilities for the production and sale of 800,000 Wheels for Commercial Vehicles, Cars and Tractors. Other particulars of the proposed manufacture are as follows :

1.	Name of the proposed undertaking :	Existing undertaking proposes to establish the above additional manufacturing facilities.
2.	Name(s) of person(s) or authority/authorities proposing to establish the manufacturing facilities	Wheels India Limited Managed by a Board of Directors
3.	Capital structure of the applicant and the proposed undertaking	**Applicant Company** : Authorised Capital : Rs. 5,00,00,000/- Subscribed & Paid-up Capital Rs. 2,19,32,100/-
4.	Proposed location of the new undertaking	The proposed manufacturing facilities will be located in Notified Backward Area in the Tamilnadu State.
5.	Brief outline of the cost of project, scheme and source of finance	Project estimated to cost Rs. 235 lakhs to be financed out of foreign exchange loans debenture, government subsidy and internally generated funds.

Any person interested in the matter may make a representation to the Secretary, Department of Company Affairs, Government of India. Shastri Bhavan, New Delhi, within 14 days from the date of publication of this Notice intimating his views on the proposal and indicating the nature of his interest therein.

S. V. RAJAN
Secretary
Wheels India Limited
180, Mount Road,
Madras-600 006

Madras
Dated : Nov. 1981

Notice Pursuant to Rule 4A (1) of the Monopolies and Restrictive Trade Practices Rules, 1970

It is hereby notified for the information of the public that WHEELS INDIA LIMITED, 180, Mount Road, Madras 600 006, propose to give to the Central Government in the Department of Company Affairs, New Delhi, a notice under Sub-section (1) of Section 21 of the Monopolies and Restrictive Trade Practices Act, 1969, for expansion of its activities. Brief particulars of the proposal are as under:

i.	Name of body corporate owning the undertaking	WHEELS INDIA LIMITED
ii.	Capital Structure of the applicant undertaking	Authorised Capital Rs 300 lakhs Paid-up Capital, Rs 219 lakhs
iii.	Details of the proposed expansion:	
1.	Name of Goods	Automobile wheels.
2.	Capacity before expansion	Licensed capacity 9,42,640 Nos.
3.	Expansion proposed	20,00,000 Nos.
4.	Location of the project for expansion	In a backward area in Tamil Nadu State
5.	Brief outline of the cost of the project, the scheme and source of finance	Project estimated to cost Rs 235 lakhs to be financed out of foreign exchange loans debenture and internally generated funds.

2. Any person interested in the matter may make a representation to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, New Delhi, within 14 days from the date of publication of this Notice, intimating his views on the proposal and indicating the nature of his interest therein.

S.V. RAJAN
Secretary
Wheels India Limited
180, Mount Road
Madras 600 006

Madras,
Date : October 19, 1981

COMPANY AFFAIRS

Larsen & Toubro

THE WORKING results of Larsen & Toubro Limited for the half year ended September 30, 1981 show improvement over the results of the corresponding period last year. Sales during the period April-September 1981 at Rs 8583 lakhs are higher (41 per cent) against Rs 6073 lakhs in the same period last year. The gross profit for the period is Rs 1545 lakhs against Rs 1129 lakhs. After providing Rs 140 lakhs for depreciation against Rs 125 lakhs last year, the net profit subject to tax works out to Rs 1405 lakhs against Rs 1004 lakhs last year. Order booking during the period was Rs 119 crores compared to Rs 85 crores last year. The order backlog as at the end of September 1981 was Rs 165 crores compared to Rs 137 crores as at September 30, 1980.

Glaxo Fares Well

Glaxo sales for the year ended June 30, 1981 increased by Rs 13.81 crores from Rs 80.04 crores to Rs 93.85 crores. Even though the company's sales increased by more than 17 per cent, the profit before tax, but after depreciation of Rs 154 lakhs (Rs 120 lakhs), decreased by 22 per cent from Rs 10.28 crores in the previous year to Rs 8 crores.

After providing Rs 303 lakhs for taxation (Rs 546 lakhs), the net profit after tax of the company for the year ended June 30, 1981 amounted to Rs 497 lakhs against Rs 482 lakhs in the previous year. With the prices of a major part of the company's product range remaining virtually unchanged since 1977, the continuing high rate of inflation during the year had a serious effect on all areas of the company's operations. Higher sales, stringent cost control and further improvements in productivity and other efficiencies could not, by themselves, fully counter the cumulative impact of rising costs. The decline in profits and the sharper erosion in profitability has been brought about largely by the Drugs (Prices Control) Order, 1979, and the unhelpful manner of its implementation.

The Directors recommended payment of a final equity dividend of 8 per cent i.e. a dividend of Re 0.80 per share, subject to deduction of tax, for the year ended June 30, 1981. If the recommendation is approved by the shareholders at the forthcoming annual general meeting, the aggregate dividend for the year will be 16 per cent (16 per cent). The Board has also recommended the declaration of a preference dividend of nine per cent (9 per cent), subject to deduction of tax for the year ended June 30, 1981.

Ashok Leyland

Ashok Leyland has undertaken a programme to increase in its production capacity to 40,000 vehicles per year from the present level of about 15,000 vehicles per year. The project cost includes a foreign exchange component of Rs 56 crores in respect of imported machinery. To finance a part of this foreign exchange component, Ashok Leyland has been sanctioned a loan of US $ 28 million by International Finance Corporation, Washington (IFC/W). While International Finance Corporation, directly provides 50 per cent of the loan, the remaining 50 per cent will be funded by three international commercial banks: Manufacturers Hanover Trust Company, New York, Dresdner (South East Asia) Limited, Singapore and State Bank of India, Nassau. The relative loan agreement was signed at the company's Office at Ennore by Mr R.J. Shahaney, Managing Director, Ashok Leyland Limited and Mr W.E Kaffenberger and Mr G. Ivorian Jones, representing International Finance Corporation, Washington. To fund the balance foreign exchange requirement an ECGD backed project line of credit of £ 21 million has already been negotiated with Grindlays Bank, London and the relative agreement is to be signed shortly.

TISCO's Fine Performance

Tata Iron and Steel Company (TISCO) has shown a marked rise in its profits for the first half of the current year. The company has earned a substantially higher trading profit, before interest and depreciation of Rs 67.31 crore against Rs 34.56 crore for the first half of 1980-81, an increase of 95 per cent. Its sales have amounted to Rs 317.54 crore against Rs 225.44 crore, an increase of 42 per cent.

Its pre-tax profit for the half year ended September 30, 1981, amounts to Rs 46.60 crore against Rs 18.12 crore after providing Rs 13.90 crore (Rs 11.50 crore) for depreciation and Rs 6.81 crore (Rs 4.94 crore) for interest. It earned a pre-tax profit of Rs 52.06 crore on sales in 1980-81.

The increase in the profit is mainly because the company realised the full benefit of the decontrol of bars and billets effective from February 24, 1981. The profit does not include the sum of Rs 14.95 crore allowed by the Government, as reimbursement of cost escalations for the previous year, in the form of a reduction in the levy payable to the Steel Development Fund. However, the profit figures for the first half of the previous year have been adjusted to reflect the proportionate cost reimbursement.

The company expects a substantially higher interest burden during the second half of the current year due to higher capital expenditure financed by borrowings.

The company's production of saleable steel amounted to 767,000 tonnes during the first half of the current year against 706,000 tonnes in the corresponding period of last year. Its sales of saleable steel increased to 678,000 tonnes compared to 620,000 tonnes.

The increase in production is due to the deferring of the relining of a blast furnace (usually undertaken in April-May) to September-October 1981.

Mysore Kirloskar's Bonus

The Directors of Mysore Kirloskar have proposed to issue bonus shares in the ratio of two shares for every three shares held. The Directors have also proposed to maintain the dividend of 15 per cent for the year ended June 30, 1981.

The company has earned a higher gross profit of Rs 4.91 crore against Rs 3.62 crore for the previous year. Its sales have increased to Rs 31.54 crore from Rs 24.80 crore.

Its net profit amounts to Rs 75.53 lakh against Rs 67.12 lakh after providing Rs 2.26 crore (Rs 1.80 crore) for depreciation, Rs 62.44 lakh (Rs 41.97 lakh) for investment allowance reserve and Rs 1.28 crore (Rs 76 lakh) for taxation. The proposed dividend will claim Rs 40.05 lakh.

Shree Vallabh Glass

Shree Vallabh Glass Works has earned a substantially higher gross profit of Rs 4.78 crore for the year ended June 30, 1981, against Rs 2.45 crore for the previous 15 months. Its sales have increased sharply to Rs 24.49 crore from Rs 15.92

crore for the previous 15 months.

Its net profit amounts to Rs 3.67 crore against Rs 96.91 lakh after providing Rs 48.39 lakh (Rs 57.51 lakh) for depreciation, Rs 62.30 lakh (Rs 74.29lakh) for repair expenses and Rs 17,000 (nil) for investment allowance reserve.

The proposed equity dividend will claim Rs 36.30 lakh (Rs 41.25 lakh).

Good Show by ACC

Associated Cement Companies (ACC) has reported a rise in production, sales and profits for the year ended July 31, 1981.

Its gross profit has increased to Rs 7.96 crore from Rs 7.05 crore for the previous year. Its turnover has risen to Rs 209.19 crore.

The company's sales of cement increased to 58.45 lakh tonnes from 52.58 lakh tonnes, with an installed capacity of 74.84 lakh tonnes.

The management states that the company's sales increased because of better power availability. Its performance could have been better but for the inadequate supplies of coal.

ACC's net profit amounts to Rs 1.95 crore against Rs 73.8 lakh after providing Rs 6.00 crore (Rs 6.31 crore) for depreciation. The lower increase in profits compared to that in sales is attributed to inadequate compensation for cost of coal for wet process plants, and increase in operating costs.

The company does not anticipate any tax liability. The management states that in the absence of assessable profits, no provisions have been made for investment allowance reserve amounting to Rs 1.88 crore for 1980-81 and Rs 3.66 crore for 1979-80. The proposed dividend will claim Rs 3.32 crore (same).

Bharat Bijlee Ltd

Bharat Bijlee Ltd has announced improved results for the year ended June 30, 1981. Sales have risen from Rs 20.57 crore to Rs 24.60 crore and the gross profit from Rs 1.19 crore to Rs 1.67 crore. The Directors propose to raise the equity dividend from 15 per cent to 16 per cent. A proportionate dividend of 12 per cent is payable on 34,623 equity shares issued on conversion of bonds on October 1, 1980.

After providing Rs 28.57 lakh for depreciation (Rs 19.76 lakh), Rs 11.51 lakh for investment allowance reserve (Rs 1.28 lakh) and Rs 66.35 lakh for taxation (Rs 53 lakh), the net surplus comes to Rs 61.03 lakh (Rs 44.71 lakh). The proposed dividend will absorb Rs 24.52 lakh (Rs 18.92 lakh) and the allocation to general reserve has been stepped up from Rs 25.79 lakh to Rs 36.58 lakh.

The company is taking steps to manufacture spheroidal graphite iron castings at its Kalwa foundry and the requisite facilities are expected to be set up in the current year. The company is planning to set up manufacturing facilities for an extended variety and range of its existing products in an industrially backward area in Maharashtra. Land

A WORD WITH THE TAX-PAYERS

In the new financial year 1981-82, tax-payers will be under obligation to file their Income/Wealth-tax etc. returns within specified period. Voluntary compliance shall be facilitated if the following are observed by the tax-payers:

i) Return should be filed within specified time to avoid penalty and interest;

ii) The information in the return should be correct and complete. This would help you avoid penalties and prosecution;

iii) The tax on Self Assessment should be paid before filing the return of Income-tax/Wealth-tax;

iv) Please attach form No. ITNS 224 giving information with regard to any pending actions for rectifications, refunds, tax credit etc. relating to your earlier assessments;

Please remember to incorporate all information in ITNS 224 attached to the return of income;

v) Please ensure that the return of Income/Wealth-tax is filed in the revised forms in use for the assessment year 1981-82.

Avail of help and assistance on voluntary compliance and do not expose yourself to consequences following detection in survey, search and seizure operations.

Director of Inspection
(Research, Statistics & Public Relations)
INCOME-TAX DEPARTMENT
New Delhi-110001.

davp 81/181

has already been acquired for this purpose.

ICICI has sanctioned a loan of Rs 75 lakh to the company to meet a part of the cost of modernisation of the transformer. The performance of the marketing organisation for transformers is encouraging. The order book position is satisfactory and prices are remunerative.

Sadhana Nitro Chem

The Directors of Sadhana Nitro Chem Ltd, propose to raise equity dividend from 10 percent to 11 per cent for the year ended June 30, 1981. The turnover has gone up from Rs 2.04 crore to Rs 2.89 crore. The gross profit is placed at Rs 25.65 lakh against Rs 26.90 lakh. The second phase of diversification scheme is in progress.

TELCO Expansion Plan

Tata Engineering and Locomotive Company will shortly apply for further expansion of its permissible capacity from 56,000 to 80,000 commercial vehicles per annum. TELCO's Chairman, Mr S. Moolgaokar, stated in Bombay recently that the company has been constantly expanding its capacity and its future plans will be finalised shortly.

The demand for the company's vehicles is strong and export prospects are also encouraging. The recent ban on resale of vehicles has not affected the demand for commercial vehicles in the home market, and the waiting list is for over 100,000 vehicles.

The company hopes to produce over 45,000 vehicles during 1981-82 against the actual production of 36,312 vehicles in 1980-81. Its sales during 1981-82 will exceed Rs 800 crore against Rs 610 crore last year. Its sales will cross the Rs 1,000 crore-mark next year when the production will be around 52,000 vehicles.

Although the company's exports have been lower during the first half of 1981-82 when compared with those in the corresponding period of last year, it hopes to close the year with total export sales of about Rs 60 crore against Rs 52.43 crore in 1980-81.

The company's Board has recently decided to pay interest on the payments due to non-resident bondholders which has been delayed because of the delays in receiving necessary approvals from the Reserve Bank.

Saurashtra Cement Skips Dividend

Saurashtra Cement and Chemical Industries Ltd, has suffered a setback in its working for the year ended June 30, 1981. It incurred a loss of Rs 8.48 lakh against a profit of Rs 89.36 lakh in the preceding year. The Directors therefore propose to skip the dividend against 10 per cent paid for the year 1979-80.

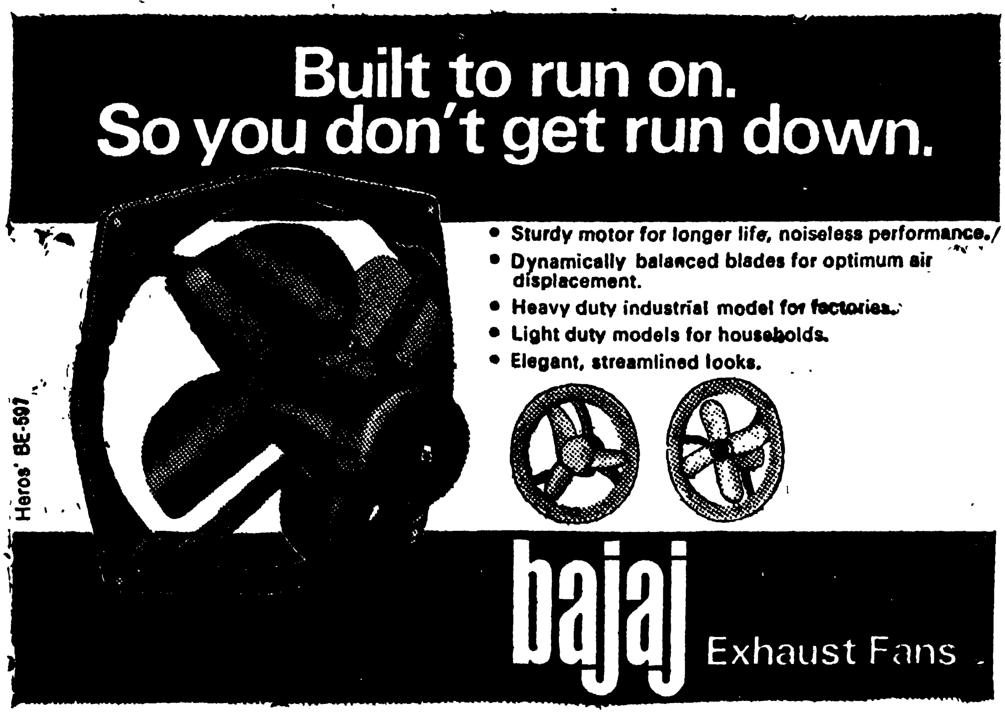
The setback is a sequel to a drop in production resulting from deterioration in quality of coal and short supply and breakdown in machinery due to voltage dips, trippings etc. Clinker production has gone down from 4.16 lakh tonnes to 3.60 lakh tonnes and that of cement production from 4.45 lakh tonnes to 3.72 lakh tonnes. Cement despatches have gone down from 4.41 lakh tonnes to 3.76 lakh tonnes.

After providing Rs 49.18 lakh for depreciation, the deficit has risen to Rs 57.67 lakh. For 1979-80, the net profit came to Rs 10.77 lakh after providing for depreciation, investment allowance and taxation.

Kanoria Chemicals to Enter Capital Market

The Controller of Capital Issues has accorded its approval to Kanoria Chemicals and Industries Limited for issue of 895,500 new equity shares of Rs 10 each to its existing shareholders in the ratio of one new share for every two existing equity shares. After issue of bonus shares, the capital of the company will be Rs 303.64 lakh and the reserves will be Rs 504.02 lakh.

The company is entering



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the capital market on November 12, 1981 with the issue of 150,000 13.5 per cent second debentures of Rs 100 each.

The issue of bonus shares have made Kanoria Chemicals' debentures issue more atractive, as the company will be paying one per cent per annum additional interest (over and above the usual interest of 13.5 per cent) if the dividend on increased capital exceeds seven per cent.

AVO Cables & Conductors

AVO products are a major landmark in the import substitution of cables required by sophisticated industries. By end 1981, AVO Cables, the country's most modern cable plant located in Belavadi Industrial Area near Mysore, will go on stream. It will mark a major step in meeting the increasing demand for special cables by sophisticated industries. At present 60 per cent of the demand is met by imports. AVO cables will save considerable foreign exchange for the country by import substitution.

The company is promoted by a group of dynamic entrepreneurs led by a highly qualified engineer having 30 years of experience with leading cable manufacturers in the UK and Europe. De-Angeli Industrie of Italy, pioneers in the field of cable manufacturing machinery, will provide the equipment. A successful combination of progressive management and the latest technology, AVO Cables will meet the international standards required by sophisticated industries like electronics, telecommunication, automobile, aircraft and defence installations. Their ability to manufacture custom-made cables to suit individual requirements, will be a definite advantage to the progressing indigenous industries.

The proposed range of AVO Cables includes coaxial cables, TVRS cables, poly tetra fluoro ethylene (PTFE) insulated equipment wires, Uni Vynyl cables, single and multiple shot firing cables, ignitioncables and low frequency wires and cables. All manufactured under strict quality control to meet the most exacting requirements. A calibre that will be shown through its performance in sophisticated Government installations like — atomic power stations and defence establishments.

Capital and Bonus Issues

The following companies have been allowed to raise capital. The details are as follows:

Bonus Shares

1. **M/s Sayaji Iron Works (Contracts) Private Limited**: Rs 280,000 in fully paid equity shares of Rs 1000 each in the ratio of 1 : 1.

2. **M/s Indiapistons-Repco Limited**: Rs 900,000 in fully paid equity shares of Rs 10 each in the ratio of 9 : 25.

3. **M/s S. I. Works Quarry Private Limited**: Rs 500,000 in fully paid equity shares of Rs 2,000 each in the ratio of 1 : 1.

4. **M/s Piem Hotels Limited**: Rs 43,00,000 in fully paid equity shares of Rs 10 each in the ratio of 1 : 1.

5. **M/s Elgi Equipments Limited**: Rs 25,00,000 in fully paid equity shares of Rs 10 each in the ratio of 1 : 1.

6. **M/s Greatway Private Limited** Rs 10,00,000 in fully paid equity shares of Rs 100 each in the ratio of 4 : 5.

7. **M/s The Indo-Burma Petroleum Company Limited**: Rs 80 lakhs in fully paid equity shares of Rs 10 each in the ratio of 1:1.

M/s Escorts Employees Ancillaries Limited: Rs 11,37,870 in fully paid equity shares of Rs 10 each in the ratio of 3 : 5.

9. **M/s Kanoria Chemicals and Industries Ltd**: Rs 89,55,000 in fully paid equity shares of Rs 10 each in the ratio of 1 : 2.

10. **M/s Rajasthan Spinning and Weaving Mills Ltd**: Rs 76,23,980 in fully paid equity shares of Rs 10 each in the ratio of 1 : 3.

Further Issues

11. **M/s Higginbothams Limited**: Issue of right equity shares worth Rs 2.5 lakhs to the existing equity shareholders in order to enable the company to meet its long term working capital needs.

12. **M/s The Ganges Rope Company Limited**: Issue of equity shares of Rs 28 lakhs for cash at par to the existing equity shareholders of the company on right basis.

13. **M/s Modi Industries Limited**: Issue of rights equity shares worth Rs 102.47 lakhs for cash at par for the purposes of financing the diversification cum modernisation programme.

14. **M/s Shreyans Paper Mills Limited**: Issue of 30,000 secured convertible debentures of Rs 100 each to be placed privately with the UTI. The proceed of the issue are to be utilised to meet, in part, the cost of the paper project to be set up in the Sangrur District of Punjab.

New India Sugar Mills Limited

NOTICE

Notice is hereby given that the Forty-seventh Annual General Meeting of New India Sugar Mills Limited will be held on Tuesday, the 24th November, 1981 at 3.30 P.M. at 9/1, R.N. Mukherjee Road, Calcutta-1, for the following purposes:-

1. To receive and consider the Report of the Directors and to adopt the Audited Accounts of the Company for the year ended 30th June, 1981.
2. To declare dividends.
3. To elect Directors in place of Shri P.D. Himatsingka, Dr. C.D. Pande and Shri M. Sen Sarma who retire by rotation and being eligible offer themselves for re-election.
4. To appoint Auditors and fix their remuneration.

As Special Business:

5. To appoint a Director in place of Shri Rameshwar Choudhury who was appointed as an Additional Director by the Board of Directors. His term of office expires at this Annual General Meeting. A notice in writing has been received by the Company from a member proposing his candidature for the office of director and signifying his intention to move the following resolution as an Ordinary Resolution:-

"Resolved that Shri Rameshwar Choudhury be and is hereby appointed a Director of the Company."

By Order of the Board
R.N. BAGARIA
Secretary.

9/1, R.N. Mukherjee Road,
Calcutta-1. the 23rd October, 1981

NOTES :

1. **A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.**
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4. **Declarations in Form '14-B' under Income Tax Rules, 1962 read with Section 194 of the Income Tax Act, 1961 to be effective must reach the Company on or before the 17th November, 1981.**

Explanatory Statement as regards item no 5 has been sent directly to the shareholders.

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Printed and Published by R.P. Agarwala on behalf of the Eastern Economist Ltd. United Commercial Bank Building,
Parliament Street, New Delhi at the New India Press, K-Block Connaught Circus, New Delhi.
Editor: Swaminathan S. Aiyar.

Registered at the GPO, London
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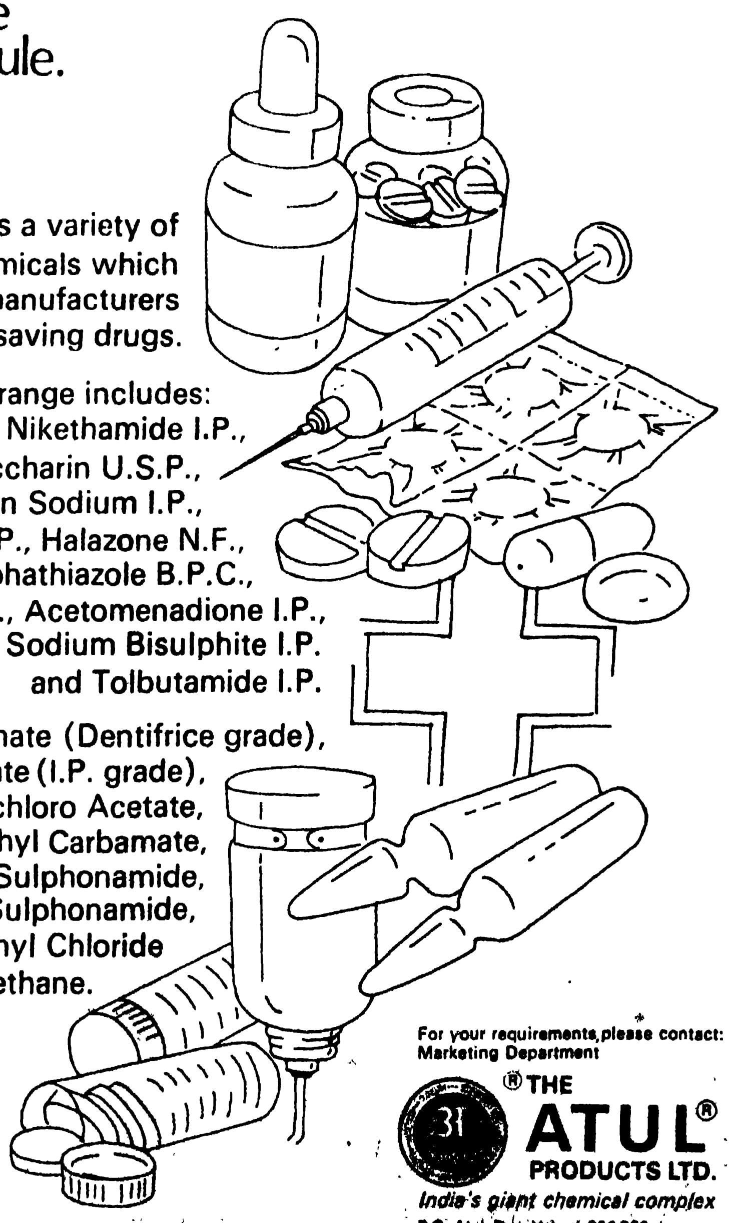
Paratoluene Sulphonamide,
Paratoluene Sulphonyl Chloride
and Urethane.



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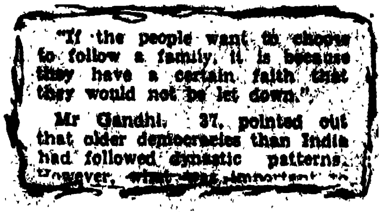
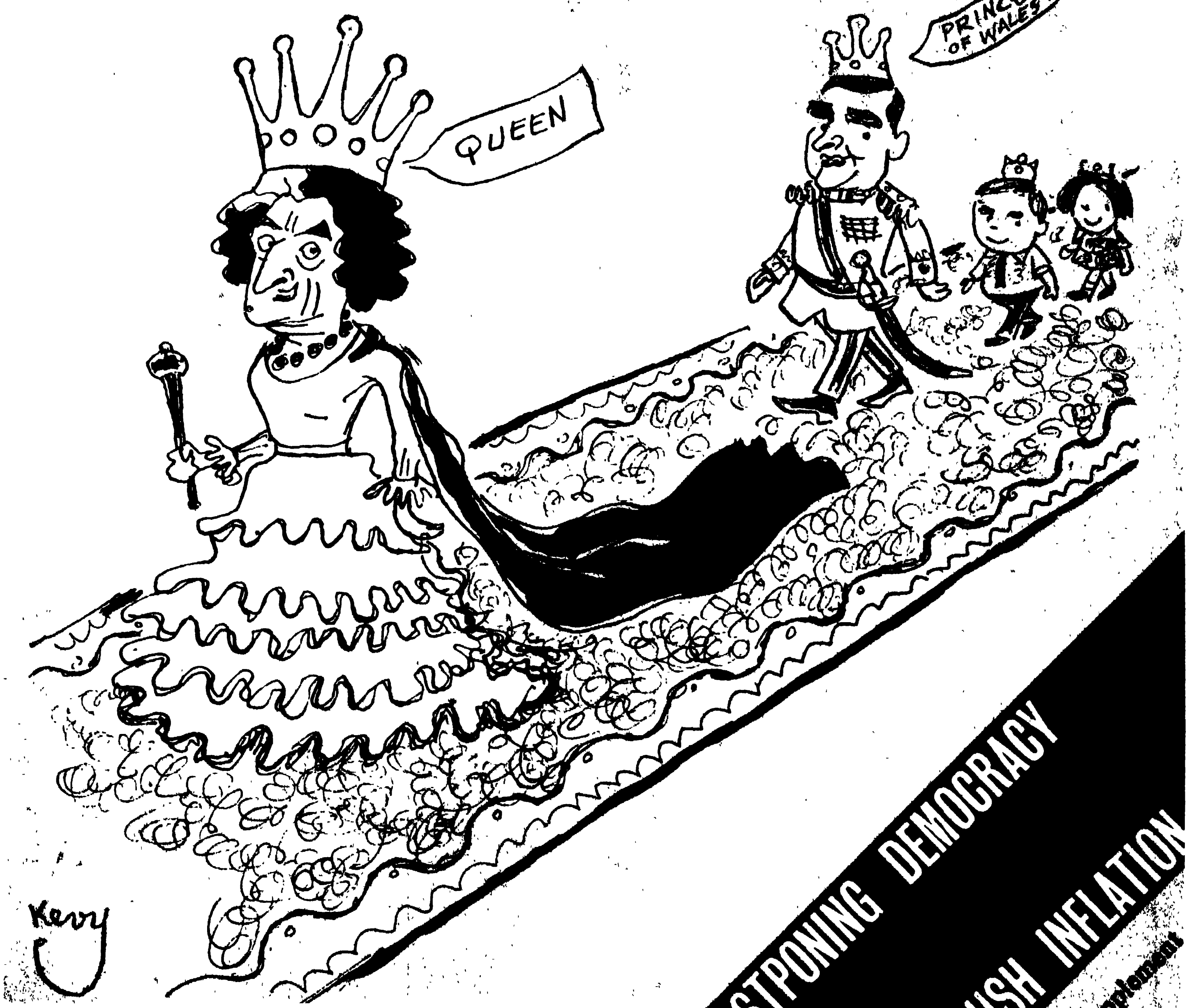
ECONOMIST
NOVEMBER 20, 1981



"If the people want to choose to follow a family, it is because they have a certain faith that they would not be let down."

Mr Gandhi, 37, pointed out that older democracies than India had followed dynastic patterns. However, what was important



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Vol. 77 No. 21 NOV 20, 1981
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This Week

November 11

In a major trade agreement India and Italy decided to set up joint ventures in third countries for export purposes.

Several opposition parties criticised the Government for accepting the conditions for the International Monetary Fund loan.

November 12

Shetkari Sanghatana leader Sharad Joshi, Madhavrao More and P.R. Patil rearrested immediately after a Dhule court released them on expiry of the remand period.

Government agencies have procured 1.41 million tonnes of kharif rice against 1.56 million tonnes last year.

The Union Government has reimposed an export duty of Rs 85 per quintal on coffee.

November 13

Karnataka has reduced the basic rate of sales tax on television sets from 15 per cent to 10 per cent.

The pound sterling became 15 paise costlier following the Reserve Bank devaluation of the rupee by 0.9 per cent. RBI has fixed a new middle rate of Rs 17.35 per pound against the earlier Rs 17.20.

The Government signed agreements with Britain, Denmark and Japan for credits worth $178 million to meet the foreign exchange requirements of the Thal-Vaishet fertiliser project.

November 14

The India International Trade Fair was inaugurated by the Vice-President, Mr Hidayatullah.

In a major technical collaboration agree-ment, India and France have decided to cooperate with each other on alternative sources of energy and coal exploration.

Mr Gopala Menon, adviser to the Kerala Governor, resigned.

India agreed to set up joint venture sugar refinery projects in Indonesia.

The Government decided to reduce the customs duty on polypropylene from 90 per cent to 65 per cent ad valorem.

November 15

The Union Government has agreed to a 20 per cent rise in the advertisement rates in view of the increased cost of production of newspapers.

November 16

The pound sterling became costlier by 10 paise following devaluation of the rupee by 0.57 per cent. RBI has fixed the middle rate of Rs 17.45 per pound sterling against the previous rate of Rs 17.35.

King Virendra of Nepal has set up a high-powered Panchayat Policy and Evaluation Committee headed by National Assembly Chairman Marich Man Singh.

India and the Soviet Union signed an agreement under which the USSR will supply plant equipment, technological structures and refractories for the Rs 3,000 crore Visakhapatnam steel plant.

November 17

India and Morocco have agreed to provide for a favoured-nation treatment. All transactions will be conducted in free convertible currency.

Final unofficial results in Bangladesh's Presidential election gave Acting President Abdus Sattar 66 per cent of the votes, with a victory margin of 8.5 million ballots.

The All-Naga Students Association of Manipur started blocking the movement of trucks to and from Manipur on important national and State highways demanding reorganisation of districts.

eastern
ECONOMIST

Postponing Democracy

THE POSTPONEMENT of the Garhwal by-election to Parliament must go down as one of the most brazen political scandals of recent times. The Antulay trust scandal was about money. The Garhwal scandal is about election principles, which are far more important than just money. Opposition parties are quite right in pointing out that the logic of the Garhwal postponement, taken to its logical conclusion, means that any Government can keep itself in power indefinitely by simply pleading its inability to ensure peace in the next election.

The Garhwal seat has already been vacant for one and a half years, a period so long as to make a mockery of the principle of representation. Mr Bahuguna was elected from Garhwal in January 1980, but he then fell foul of Mr Sanjay Gandhi and left the Congress(I) a few months later. He even resigned his seat, an unusual gesture of principle from a politician who had changed parties so often that he left one wondering if he had any pinciples at all. This made his resignation on principle all the more important. And the churlish fashion in which the Government has blocked chances of his re-election shows that others are even more wanting in principle than him.

A by-election in Garhwal was first scheduled in June. But there were pre-election clashes, and Mr Bahuguna demanded a re-poll on the ground of intimidation by Congress(I) supporters. The Congress(I) in turn accused Mr Bahuguna's supporters of strong-arm tactics. Ultimately the Chief Election Commissioner, Mr S.L. Shakdher, ordered a re-poll on the ground that policemen from neighbouring States had been brought in by the UP Government without his knowledge. Mr Shakdher was widely congratulated on his bold decision. But he has now ruined his reputation for fair play by a deplorable postponement.

The re-poll was first scheduled for September. But on the excuse of monsoon conditions and student examinations, the poll was put off till November. It has now been postponed again indefinitely, this time on the ground that the State Government cannot spare enough policemen in view of the strike by its jail employees, and the threatened strike by some other service associations. It is difficult to think up a lamer excuse. India is a country where agitations and strikes are a daily phenomenon. If the State Government finds it so difficult to deal with an agitation by jail staff, and the mere threat of a strike by some others, how will it ever cope with a more serious matter like a power worker's strike? Uttar Pradesh is the biggest State in India, with 85 Parliamentary constituencies. If its police force is inadequate to hold a by-election in even a single constituency like Garhwal, how will it ever be able to ensure peace in a general election involving all 85 constituencies? A State Government which dares to claim such impotence must be asked to resign forthwith. There cannot be a greater confession of incompetence.

The Secretary of the Election Commission, Mr Ganesan, had toured the constituency and declared just a few days ago that there was no reason at all for postponing the poll. For reasons unknown (and perhaps non-existent) Mr Shakdher has decided to over-rule his own Commission's Secretary. No doubt the winter will be considered too cold for a by-election. After that students' examinations will be put forward as making elections impossible. And so we will probably have to wait till next summer for a re-poll. In a country claiming to be a democracy Garhwal will therefore go unrepresented for more than two years.

It is difficult to fathom the motives of the Congress(I) in the matter. One theory holds that the UP Chief Minister has decided to hoist Mr Bahuguna with his own retard. The by-election was called off last June on the ground that policemen from other States were brought in. And so this time the Chief Minister has refused to ask for neighbouring policemen, and claimed that the lack of policemen makes it difficult to hold a poll. Mr Vishwanath Pratap Singh has a reputation for being a fair man. He has sullied this reputation by his behaviour in this matter. Perhaps he was under pressure from the party high command, but there is no clear evidence of this.

What is clear is that the ruling party seems to have an ominous disregard of the underlying conventions of democracy. Today, it is only Garhwal that is affected. But the rot is not going to stop there. We have witnessed the postponement of a by-election. Will we next witness a postponement of democracy?

Mirages? Certainly. But What else?

IT WAS widely believed that Mrs Gandhi's visit to France last week would clinch the Mirage deal. Nothing of the kind happened, and indeed, Mrs Gandhi denied having discussed the sale at all. Why? Because, in all probability, India is seeking a very soft financial package, comparable perhaps to the Soviet deals which carry rates of interest as low as 2.5 per cent for payment periods as long as 17 years. There could be other reasons too, such as an understanding on projects quite unrelated to arms.

If the French want to develop and manufacture the aircraft, they might have no choice but to go along. This is because their own requirement of 300 Mirages or so does not permit them to take advantage of the scale economies which would accrue if India were to buy 150 or so pieces. In case, this carrot is not enough, it is reported that India has dangled another bait: the possible purchase of helicopters and Milan anti-tank missiles. And just to make doubly sure that the French would take it and not leave it, Mrs Gandhi casually remarked that there were other sources of arms supply too, thus leaving the French to imagine the worst.

In the past several weeks, the deal has been debated widely, sometimes foolishly but often quite sensibly. The doubt is simple but genuine: do we need the Mirage? If so, why? To this, the Government has been saying yes because we must have something in the way of an answer to the F-16's that Pakistan will get from the USA.

Instead, it should have said that: (a) we wish to modernise the IAF, (b) if the deal with France goes through it will enable us to enter the high-technology area, (c) this will also enable us to diversify the sources of our arms supply and (d) don't tell anybody but this is one of putting pressure on the Soviets. Any one or some or all of these reasons would have made far more sense than pushing the Mirage as an "answer" to the F-16, which it is not, for three reasons.

First, because the F-16 is superior to the Mirage. Second, because Pakistan will get its F-16's long before the first Mirage squadron becomes fully operational (towards the end of this decade) with the IAF. And third, crucially, because dogfights are a thing of the past and aircraft no longer shoot down other aircraft, the proper answer to the F-16 would seem to be surface-to-air missiles. (According to one calculation, SAM's brought down 95 per cent of the aircraft in the Arab-Israeli war of 1973). Besides, they are cheaper.

Ultimately, deals such as this one are made on several considerations, of which defence criteria are only the most important. When Parliament meets for its winter session, the members would do well to avoid trading charges of kickbacks etc and concentrate instead on the other benefits—if there be any —that the French connection might bring. In other words, let us know what the French will do for us if we do this for them. For example, as starters, they could change their tune on the multi-fibre agreement and withdraw their objections to increasing the quota of poor nation's textile exports to the EEC.

A New Bangladesh President

THE VICTORY of Mr Abdus Sattar in the Presidential election in Bangladesh will not bring cheer to New Delhi, which would have preferred the pro-Indian Awami League to win. But there are several positive aspects to Mr Sattar's victory. First, he won by such a massive margin that he set at rest doubts about the fairness of the result. Second, the size of his victory will help him in keeping the Bangladesh Army at bay. Some days ago the Army Chief, General Ershad, had given an interview to a magazine suggesting that the Constitution should be amended to give the Army a permanent role in the Government. Mr Sattar has now declared that the Army will have no role save in defence. He may not have the last say. But it looks as though the Army will now lie low, and permit civilians to get on with civilian tasks. That is a considerable advance in a country where the Army has come to have a finger in every pie.

Mr Sattar is old, and in bad health. Some observers regard him as a temporary head, who will be used by either the Army or the ambitious Prime Minister, Mr Shah Azizur Rahman, for their own purposes. But Mr Sattar proved his mettle after the assassination of General Zia, when he held the country together and got all Bangladesh's quarrelsome parties to unanimously condemn the murder, and hence staved off any popular support for the Manzoor mutiny, which then fizzled out. His ill-health may not prevent him from playing a leading role. He has made clear his intention to appoint his own Vice-President. This could be a most important apppintment, given the natural tendency of Vice-Presidents to succeed Presidents.

Immediately after General Zia's death, the ruling Bangladesh National Party feared that the Awami League, under the leadership of Mrs Hasina Wajed, might win the Presidential election. This is why it first set an early election date, with the intention of preventing Mrs Wajed from standing as a candidate (she attained the qualifying age of 35 only at the end of October). But later, when it became clear that the wind was blowing in favour of the BNP, it went out of its way to try and accommodate all Awami League demands to prevent the latter from claiming that the elections were unfair. It postponed the election to November. But at this stage Mrs Wajed chickened out, and put forward Mr Kamal Hossain instead as her party's candidate. This was as good as admission of defeat in advance.

It is a pity that she has tried to claim that Mr Sattar's victory was due to rigging. Bangladesh needs a two-party system. But the two-party system requires basic respect for opposition rights, and a feeling that democracy is more important than an individual party's fortunes. Unless Mr Sattar and Mrs Wajed recognise this, democracy in Bangladesh will continue to be fragile.

End of the Affair ? Not Yet

HAVE WE reached the last chapter of the Tarapur saga ? Perhaps, but the epilogue looks like being lengthy and just as painful. The meeting in Washington—billed as the last meeting on the subject—ended in predictable deadlock. The American side expressed its inability to continue enriched uranium supplies because of domestic legislation, but wanted India to adhere nevertheless to safeguards. The Indian side replied that a breach of the 1963 Tarapur Agreement by the USA would leave India free of safeguards.

The Americans have long given up the hope that India will sign the Nuclear Non-proliferation Treaty. But they had hoped that India might approach France or the USSR as an alternative source of enriched uranium. This would still leave Tarapur under international safeguards, as all exporters of the London Club make IAEA inspection a condition of nuclear supplies. However, Indian scientists have perfected a mixture of plutonium and natural uranium oxides, which can be used instead of enriched uranium. The plutonium can be obtained by reprocessing the spent fuel at Tarapur. This will free India from dependence on foreign suppliers and from safeguards.

The Government has not formally declared the 1963 treaty dead, but is likely to very soon. And after that it will feel free—despite American protests—to reprocess the spent fuel at Tarapur. It now has two theoretical reasons for doing so. One is to fuel Tarapur. The other is to build up a sufficient stock of plutonium to provide the initial charge for the fast breeder reactors that India plans in the future. At present, the only unsafeguarded reactor India has is at BARC, and does not produce enough spent fuel for fast breeders. Of course—as everybody including the Americans know—a stockpile of plutonium meant for fast breeders can be diverted at short notice for building a bomb. This is what our scientists like Dr Homi Bhabha have been pleased to call "the nuclear option". This is not quite the same thing as a nuclear bomb. It will take a lot of work to miniaturise the kind of device exploded at Pokharan and make it suitable for delivery by a bomber. It is not known whether this work has been done already. But once the plutonium is available, only an angel would desist from working out possible military uses for it. And India is no angel.

Thus friction between India and the USA seems destined to continue on safeguards, long after the end of American uranium supplies. It is ironic that American efforts to prevent India from going nuclear have in practice driven India straight down the plutonium path. This demonstrates that it is virtually impossible to prevent a determined Government with the technical capacity from making a bomb. Today, India. Tomorrow, Pakistan.

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Dry Thoughts

WHAT happens to a nice, clean young man (like Mr Rajiv Gandhi) when he gets mixed up with the Mafia that run this country?

He ends up like Godfather II.

Poor, poor Rajiv. He should have listened to his wife, who was dead against his entering the quicksand of politics. But he waded in on the ground that he had to help a parent (remember Godfather I?). And he now finds himself in the outrageous position of having to whitewash the actions of Mr Abdul Rahman Antulay. He has declared that Mr Antulay's fund-raising trusts cannot be called corruption in the strictest sense, but only amount to the misuse of official machinery. This is rather like saying that a glass is only half full, not half empty. The misuse of political machinery is corruption, not something different from it. Mr Gandhi would like us to believe that Mr Antulay should not be over-criticised as he is only a partial crook, not a full-blown one. I am sorry, Mr Gandhi, but there is no such thing as a partial crook, any more than a partial virgin. Either you are or you aren't. And Mr Antulay is no virgin.

Mr Antulay himself is not happy with Mr Gandhi's coat of whitewash, as too much still shows through. Mr Antulay would have preferred a generous coat of enamel paint, portraying him pristine white as the Virgin Mother herself. He regards himself as the embodiment of purity, as the man who converted the sordid black money of businessmen into the wholesome white money of his trusts. He would probably like his party to run an advertising campaign along the lines chosen by Hindustan Lever in the old days to demonstrate that Lux makes clothes really white. The old ads used to show one woman admiring a second woman's white sari.

1st Woman—"New?"

2nd Woman—"No, washed in Lux".

The updated political version of this advertisement could run as follows.

1st Woman—"New"?

2nd Woman—"No, laundered by Antulay".

Mr Gandhi is clearly not in a mood to finance such an advertising campaign. But he has already done more than his fair share to keep Mr Antulay's hopes alive. According to the news report, "He told foreign correspondents that corruption implied personal gain. Nobody had said this was the case in Maharashtra. Nobody had questioned the objectives of the trusts set up. What was being questioned was the procedure adopted to collect funds".

POOR, poor Rajiv, having to conjure up half-truths and plain falsehoods to try and justify the unjustifiable. How can he possibly say that nobody has claimed that no personal gain was involved in the trusts, or that the objectives of the trusts had not been questioned? The Antulay affair was brought into focus by Mr Arun Shourie in *The Indian Express*, who unmistakably stated that the objectives of the trusts were fraudulent, and that Mr Antulay had hoodwinked organisation into giving cash to his private trusts by suggesting that they were Government trusts. Any number of MPs accused Mr Antulay of personal gain and laughed with derision at the ostensible purposes for which the trusts were set up. And yet we have the sorry spectacle of Mr Rajiv Gandhi, Mr Clean himself, pretending that none of this ever happened. Indeed, his utterances make it clear that he has no objection at all to extorting money from businessmen provided the procedure is "proper". At this rate, Mr Clean may end up by being called Mr Clean-up.

Still, his attitude towards corruption remains preferable to that of his mother. Mrs Gandhi has a novel suggestion of what to do about corruption—stop talking about it. She told her partymen some time ago that it was deplorable that Opposition parties kept talking about corruption. Graft was a global phenomenon, she pointed out, and neither India nor any other country could be free from it.

VERY true. But she has to explain why other countries are so keen on stopping corruption, when she seems keener on stopping talking about it. And the obvious explanation would seem to be that it is her cohorts who are indulging in the corruption and Opposition politician and journalists who are criticising it. In no other democratic country could Mr Abdul Rahman Antulay have survived the scandal of his many trusts. In India he has not only survived but been permitted to sack two Cabinet colleagues who criticised him. There can be no greater demonstration of Mrs Gandhi's new thesis that talk of corruption is more damaging than corruption itself. It is most damaging of all to the critics.

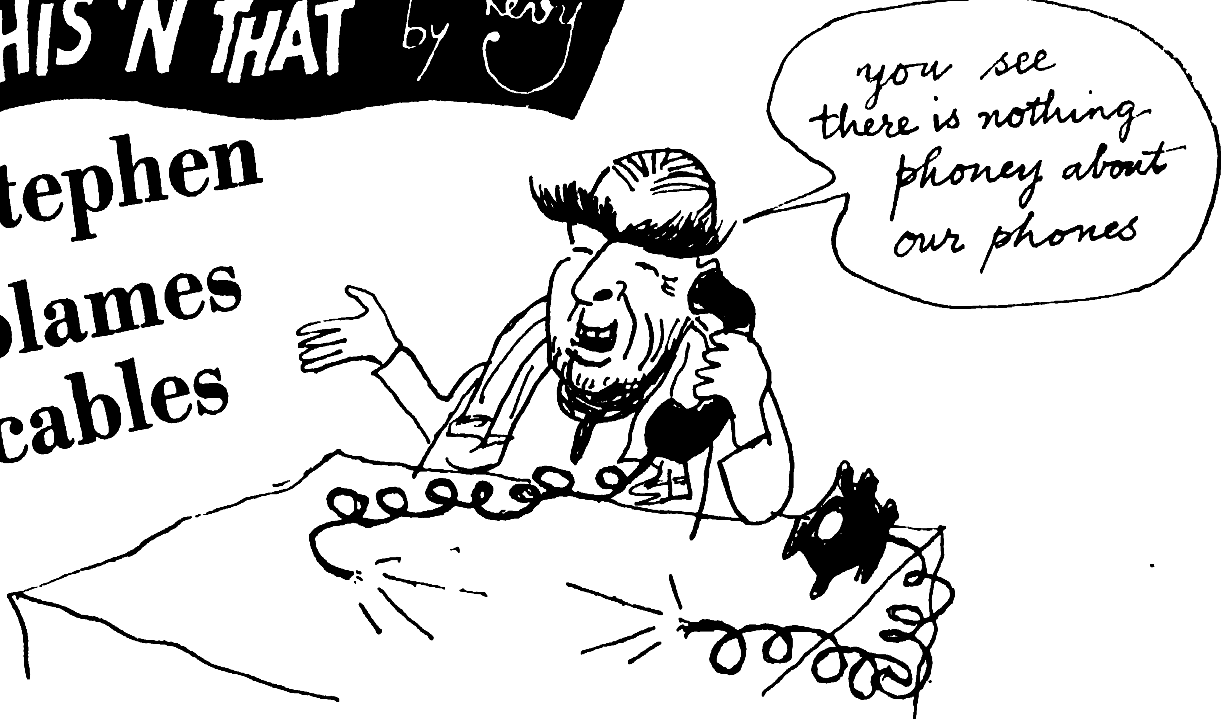
Apparently graft has ceased to be shocking since it is a global phenomenon, and what is shocking now is constant talk about graft. As befits a good Hindu country, the Congress(I) believes that it should see no corruption, speak no corruption, hear no corruption—just indulge in it.

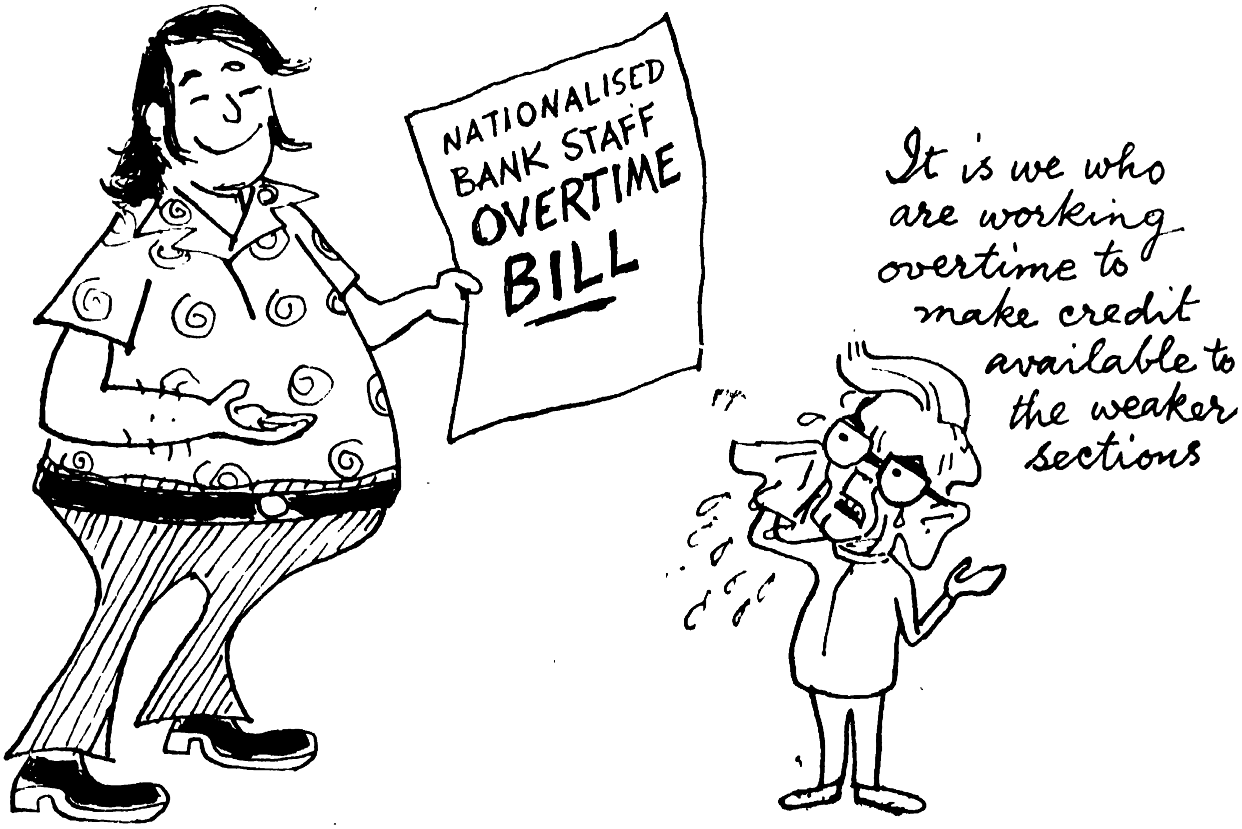
If one must talk about the inevitability of global phenomena, why stop at corruption? Murder is a global phenomenon, so let us stop complaining about dacoits and goondas and instead start complaining about those who wail at the high crime rate. Rape is a global phenomenon, so let us stop condemning rapists and instead criticise those who object to rape. Inflation is a global phenomenon, so let us not complain about rising prices....

—Swaminathan S. Aiyar

THIS 'N THAT by Kerry

Stephen blames cables


you see there is nothing phoney about our phones


NATIONALISED BANK STAFF OVERTIME BILL
It is we who are working overtime to make credit available to the weaker sections

The Americans Abstain, But the Fund Marches On

V. Balasubramanian

THE AMERICAN opposition to the IMF loan to India always had an air of theatricality about it. Treasury Secretary Donald Regan took the extraordinary step of publicily challenging the proposal weeks before it was to be put up to the board of Executive Directors by the Managing Director of the Fund, but well after the Fund staff had finished its consultations with the Government of India on the size and terms of the loan. It was hard to see what practical results he was seeking, since it was clear that there could be no re-negotiating of the details of the loan at that stage. The Fund's management had satisfied itself by that time that the Indian loan request fell within the scope of the policy the IMF had adopted for extending its conditional financial support to adjustment programmes instituted by member-countries in order to overcome medium-term payments imbalances. New Delhi, for its part, had signified its assent to a package of conditionality negotiated through prolonged discussions and there was therefore no question of its agreeing to entertain further demands relating to the terms and conditions of the loan.

Puzzling Controversy

The US Government, no doubt, was aware of all this around the middle of September when Reagan voiced his famous plan for taking a very close look at the India loan project and asking a lot of questions. It was therefore a matter for puzzlement what precisely he hoped to achieve by going public with this controversy.

Still, this madness was not without method. Treasury Under-Secretary Beryl Sprinkler, the tail that wags the dog, was the prime mover in the making of administration policy in this affair and her purpose was not without deadly intent. An acolyte of Milton Friedman's, she is a fanatical believer in all of his master's adverse perceptions about development assistance and is in total accord also with the diehard fringe of Republican conservatism which has written into the party platform a naked hostility to the multilateral development institutions. This school of thought has never made secret of its conviction that the World Bank group should be wound up, the sooner the better. In more recent times, this active antagonism has been extended to the IMF on the suspicion that its assistance to Third World countries through its enlarged access policy may spill over from balance-of-payment support to disguised development financing.

The politicians and economists who power this force in US affairs are currently very influential in Government and in the early months of the Reagan administration they were confident of mobilising both the aid-weariness and the aid-wariness in Congress to generate bipartisan support for an administration programme for diminishing the role of multilateral development assistance in international relations and, if possible, even destroy most of the institutional structures functioning in the field. Their attack was directed particularly aginst the International Development Association, the "soft loan window" of the World Bank. The President's economic programme, with its emphasis on axing Government spending, came as a god-sent to them and when Budget Director David Stockman slashed foreign aid, they naturally were gleeful that a powerful blow had been struck in their cause. It subsequently came as a disappointment to them when the State Department and Secretary Haig personally intervened and convinced President Reagan that it would not be sound foreign policy to alienate both OECD colleagues and the Third World countries by proceeding too far or at least too fast in reneging on aid commitments. As a result, Stockman had to settle for staggering the American contribution to the sixth replenishment of IDA instead of reducing the size of the agreed subscription.

Small Talk from Washington

Disciplining Multinationals

Meanwhile working groups in the administration are studying a new policy framework for the multilateral development institutions and, although the hawks, who are principally in the Treasury Department, remain hawkish, practical policy, taking into account the realities of US relations with the rest of the world, has been moving towards an attempt at disciplining the multinational development institutions rather than destroying them and at remaking them in the image of American domestic political and economic institutions, with their raw sensitiveness to the intrusion of socialistic tendencies in Government and their solicitude for what Reagan is trying to popularise in the Third World as the "magic of the market place".

More specifically, the administration is courting the opposition to the multinational development institutions by assuring it that the US would use its commanding position in their governance to convert their resources and functions into tools for opening up the economies of developing countries to foreign investments, international banking and the exports of industrial countries, principally by mixing pressure judiciously with persuasion in the lending policies of the Fund and the Bank group.

There is already considerable evidence of this American strategy being at work. At the last annual session of the Fund and the Bank, for instance, the US Treasury Secretary and his aides made it clear that their concept of development assistance was that World Bank assistance should be strictly limited to supplementing loans available from the international financial markets and that countries which could raise money on commercial terms should be encourgaged to do so rather than look to World Bank finance.

Again, the Americans insisted that concessional lending by IDA should be rigorously restricted to the truly needy countries in the Third World and the others persuaded to go to the World Bank proper, or its affiliate, the International Finance Corporation, the lending activities of which are integrated with the private capital markets, both domestic and international. They further illustrated their strategy as well as their philosophy by offering stiff opposition to the idea of the World Bank setting up an energy affiliate to finance projects in the developing countries and arguing that the international oil companies had the resources to do the job much more efficiently provided national Governments were willing to adopt appropriate investment or commercial policies for encouraging foreign participation.

Reagan's Tactics

When explaining his tactics for forcing big Government to slim down, President Reagan is fond of pointing out that the most effective way of dissuading a prodigal son from extravagance is to cut his spending money. On this principle, the Americans have been resisting each and every suggestion or move for augmenting the resources of the Bank and the Fund. They are unenthusiastic about the continuance of IDA, indifferent to the enlargement of the capital base of the World Bank and are evn antagonistic to the Bank, borrowing vigorously in the financial markets as they see it, thereby competing for funds with private borrowers in a context of high interest rates. Extending the same logic to the needs of the IMF, the Americans are blocking further creation of SDRs and insisting on the Fund completing its on-going studies in this area before the proposal is taken up. They have also expressed their uneasiness over the success which the Fund has been achieving in lining up resources for its enlarged access policy by tapping Saudi Arabia and other Gulf sources as well as West European banks. Simultaneously, they have been noisily insisting on the IMF shifting to a track of high conditionality in extending balance-of-payments support to developing countries.

It is in this context that the IMF loan to India has been seized upon by the Reagan administration and its Secretary of the Treasury particularly as an opportunity for a hawkish display of prowess and resolve. The fact that India is involved has made the exercise all the more attractive. It is perhaps not realised sufficiently in India that the anti-aid lobby here has India for its prime target. This is partly because of chagrin at India refusing to share each and every foreign policy concern or perception of the United States in the area of international relations and partly because India is viewed as being unfriendly to the concept of a market economy as a result of a faith in State interventionism. Economist Milton Friedman, who has great influence with the Reagan administration and the President personally, for instance, has been conducting over a period a TV teaching shop and giving regular audio-visual shows on the economic mess which India allegedly has made of itself by pursuing, as he sees it, egalitarian objectives—a notion about the aims of Indian public policy which most Indians must know is hilariously at odds with facts.

Occasion for Warning

Consequently, many administration officials and anti-aid politicians, particularly Conservative Republicans, who, in any case, do not need to be persuaded at any length, have hurried to identify in the IMF loan to India as an occasion for warning the IMF and, specifically, its Managing Director, off to "liberal" or "lenient" lending policies towards developing countries as well as for teaching India to mend its political manners and its economic morals. Hence the letter which Representative Jack Kemp, Republican Congressman from New York and the man who sold supply-side economics to the Reagan administration, wrote to the President recently, asking him to intervene effectively and block the loan to India.

Ordinarily, American businessmen, as businessmen in other industrial countries, are known to display a high degree of enlightened self-interest in the business of development assistance since it helps to bring them business in Third World markets. On this occasion, however, in parts of the American business community, there has been a tendency to join the agitation against the IMF loan to India, the reasoning being that denial of the loan would put pressure on India to court foreign investments even in industries where it is not welcome at present.

Active Oil Lobby

Reports circulating in Washington suggest that the oil companies—the name of EXXON has been mentioned—have been active in lobbying against American support for the loan. They appear to have found kinship with the big, American banks, flush with OPEC deposits which do not favour World Bank or IMF loans easing the pressure on developing countries to explore possibilities of borrowing on commercial terms. The American banking system, in fact, seems to have acquired a feeling that it has a divine right to brokerage on OPEC investments and to be resentful of any recycling of petrodollars either directly by the Saudi Arabian or other OPEC Government agencies or by the multilateral development institutions replenishing their resources by raising loans in OPEC countries.

An idea of the virulence with which the high-pressure campaign to persuade the Reagan administration to try and block the loan to India has been carried on by certain vested business interests and the financial community in this country could be gathered from the fulminations of their mouthpiece, *The Wall Street Journal*, which has been downright mean and malicious in its allusions to India not only in its editorials but also in its news reports on the loan. A little bit of sampling may be in order. Here are some nuggets from an editorial on the morning the loan proposal went before the Board of Executive Directors of the Fund:

"The directors of the International Monetary Fund are scheduled to consider today the largest loan the agency has ever been asked to make—a credit of 5 billion special drawing rights (about $5.68 billion) to India. The loan, if approved, would result in large new contingent obligations ultimately binding on the American taxpayer. Yet the loan will be considered in secret and worse still, the Reagan administration appears to be fumbling the opportunity to block what amounts to a cynical dodge that could produce a major backlash in Congress against what has been the most responsible of the Bretton Woods institutions....

"Backers of the India loan claim it's all on the up and up and describe it as but routine credit under the IMF's programme, begun some years ago, for making extended arrangements to help countries ride out difficulties in their balance of payments and solve underlying problems before they become acute....

"To us, however, the loan looks like a manoeuvre to evade a decision by the US Congress to reduce sharply the sort of handouts through which India has been sustaining socialist development policies. Congress has refused for three years running to appropriate full funding for the World Bank's soft-loan affiliate, the International Development Association, which has for years been the main source of handouts to India. India's access to IDA billions, moreover, is going to be squeezed further by plans within the World Bank to invest a huge portion of IDA funds in China.

Back Door Borrowing

"It's cynical enough for the IMF to participate in an evasion of the kind of restraints on such credit that Congress has been calling for. But the attempt of the IMF to step through the back door into what amounts to long-term development financing has substantive implications as well..

"In India's case, the IMF is preparing to hand out loans to a country that has turned its nose up at the kinds of capital other developing lands have to be content with. India, for example, is one of the Third World countries most hostile to direct investment by multinational corporations. It has spurned hundreds of millions, even billions, in offers of market-rate financing from international commercial banks. India actually ran a net surplus in 1980 with foreign banks reporting to the Bank for International Settlements, a rare phenomenon in the Third World. In addition, top priorities in India's development plan are precisely those industries for which private financing is most readily available, such as oil and gas exploration.

"The question of whether Mr Reagan is going to retreat is the important one here and it goes well beyond India and the IMF. The President is being asked to back off on everything from his defence buildup to his spending and tax cuts and his commitment to tight money. If he cannot stand his ground within the IMF on an issue as clear as the India loan, then it is going to be seen that his administration can be had with the same sort of ease with which Jimmy Carter was taken in the previous four years".

Lone Voice

Readers may have noticed that this leader-writer, in the excitement of his eloquence, had overlooked one simple point. Assuming that President Reagan was convinced that the credibility of his administration depended on his killing the India loan, what could he have done to block it? It is true that the US has a voting power fractionally more than 20 per cent, but this would enable it to veto only proposals which require a majority of 80 per cent. A few issues that come up before the IMF could attract this condition. But a loan proposal is not one of these, since it requires only a simple majority to go through. From the beginning, the Governments of the UK, France and Canada, to name a few among the member-countries, were clearly out of sympathy with the position the US was taking. In fact one or more of them even expressed their annoyance at the vulgarity of the US bid to debate the merits of the loan in public.

The American effort to block the loan would have assumed an air of seriousness if some of the member-countries had shown the remotest sign of being interested in participating in it. West Germany and Japan were thought to be wavering at one stage. But they disillusioned the Americans at a fairly early stage. Thus the American adventure or misadventure never had a chance to fly. Short of beating up the Managing Director of the Fund and his staff, the US representatives on the Board of Executive Directors could not have obstructed the loan. In the event, the American decision to abstain from agreeing to the loan—no formal vo'ing took place, as this was not considered necessary, as all the other members had expressed their consent—was essentially a gesture lacking in grace. It cannot be interpreted as a display of restraint, although it is quite true that the Charge' at the American Embassy in New Delhi and the Commercial Counsellor at the mission had communicated to the State Department their views that the loan should not be opposed and the State Department too had all along been supporting the loan in intra-mural discussions. The abstention has not served to mollify the opponents of the loan in this country. That it has given comfort to the IMF management or to India is debatable. The US representative pleaded at the meeting that his Government had reservations on the loan purely on economic grounds. But his specific objections were hardly persuasive. He argued that enough evidence had not been produced to show that a loan of this size was justified by balance-of-payments requirements. This criticism was met by the board prescribing that the loan would be drawn upon from time to time only to meet a payments need.

Insufficient Clarity

The American representative tried to make out that there was not "sufficient clarity" about some important aspects of the external adjustment programme in terms of the measures India was planning to take in the period beyond March 1982, for moving towards a payments balance. The simple and straight answer to this of course was that, in a parliamentary democracy, which India is, the Government could not bind itself to economic policies of high specificity in advance of discussion in and approval by the legislature and that, in any case, the standard IMF procedure provided for periodical reviews and consultations on the route the external adjustment programme was taking. On the whole, the impression created by the American intervention reportedly was that, having found itself into a corner, the principal concern of the Reagan administration was to cut its losses in a no-win situation.

This does not mean, however, that the Government of India had merely to handle a situation free from anxiety. Heat had been turned on the Managing Director of the Fund by the singlemost powerful member of the institution not only to stick to a high conditionality course but also to seem to be doing so. The Indian loan had been chosen by the Reagan administration as the litmus test for its ability to muscle in on the multinational development institutions and it was clear enough always that, whatever the results of its efforts in this particular case, the Reagan administration would stand committed to a policy of exerting pressure on the Fund and other multinational development institutions to restructure their policies and procedures to suit its views on how development assistance should be administered or disciplined. This meant that the Indian negotiators had not only to be persuasive with their arguments but impressive with their facts.

Essay in Diplomacy

In the later stages, the exercise also developed into an essay in diplomacy besides being an effort at economic expertise. Once the Treasury Secretary disclosed that the Reagan administration might be challenging the loan proposal, it became a matter of the greatest importance for the Government of India and its officials handling the matter to secure as much support as possible for the loan application from other members of the Fund and particularly the major industrial countries. There were reportedly occasions when what could be figuratively described as "strong-arm methods" had to be used to dissuade certain member-countries from being receptive to American pressures. The Indian market, after all, is not unimportant for the manufactures of industrial countries and a large IMF loan could clearly be used by the Government of India in its discretion to grease the wheels of commerce of its trading partners.

Above all, the most resolute contention pressed by the Indian side was that the loan application met the guidelines laid down for the enlarged access facility and that, therefore, it could be denied only at the risk of the member-countries compromising the credibility of the IMF in terms of its avowed objectives and admitted obligations. The exhortation ran something like this : If the loan is not approved, it may be a sad day for India, but it will be a sadder day surely for the Fund.

The irony of it all is that both the Fund management and the Government of India have had to wage their common battle on two fronts. The combined onslaught by the market economy men in the US and the politicians and the economists of the Left or the Leftist fringe in India against the loan is one of the most amazing coupling of strange bedfellows that there has been for some time in the affairs of nations. The Indian critics see in the conditionality package a Pandora's Box of supra-national authority over the Indian economy and the Indian people. The American Congressmen who at one time were seriously considering moving a resolution in Congress committing the administration to opposing the loan see the IMF as the stalking horse of Third World socialism as typified by New Delhi's political practices and economic policies . In the din of the debate what is sought to be drowned is the voice of reason. The Fund is entitled to make and India receive disbursements from Fund resources on reasonable terms and within the framework of international economic cooperation thanks to which industrial countries have been striving since Bretton Woods to amplify their affluence and developing countries to abolish their mass poverty. Even Communist Hungary, seems to see it this way. With a nod from the Kremlin, it is applying for membership of the IMF—and *The Wall, Street Journal*, seeing in China capitalist virtues it misses in India, may not ask the Reagan administration to block Hungary's entry.

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Economic Analysis

Reform of Indirect Taxes

Dr. V. K. R. V. Rao

INDIRECT TAXES consist mainly of six items, two of which are Central, three are levied by the States, and one by local bodies. These are customs, excise, general sales tax and sales tax on specific commodities, motor vehicles tax, entertainment tax and octroi.

I have nothing to say on the fifth item, namely, entertainment tax except to note in passing that it does not seem to have adversely affected the enthusiasm of the people of our State to see films, having an income elasticity of 1.88 as compared to the all-India figure of 1.15 and 1.20 for Tamil Nadu and 1.11 for Kerala. Our kinsmen from Andhra are however, nearer to us with an elasticity of 1.32.

As regards the sixth item, namely, octroi, there can be no two opinions about the undesirable effects it is having on production, distribution and consumption. When I was the Central Minister for Transport and Shipping, I tried my best to get it abolished but failed. Now my current successor in that position, a distinguished son of Karnataka, is making a similar attempt and I hope he will succeed. The only rationalisation that we can effect in octroi is to end it; there is no use trying to mend it. As the Jha Committee have pointed out, and I quote, "We are firmly convinced that a decision to abolish octroi should not be linked up with the finding of alternative sources of revenue". In any case the amount involved is not of a significant magnitude and surely some way can be found of getting a collective lump-sum payment from those involved in this inland trade in place of the vexatious, numerous, and delay laden character of the octroi levy, apart from the widespread scope it offers for both corruption and evasion.

The crux of the problem of indirect taxes lies in customs, excise and sales tax; and they account for a preponderant share of all the revenue from indirect taxes. And their rate of growth has also been a consistent, though not an equally welcome phenomenon. Our country occupies a conspicuous position in the international fiscal world by the weight that it gives to indirect taxes in its tax structure; and as the classical view derived from the West is not in favour of a high role for indirect taxation, I suppose we can now claim that at least in the field of public finance, we do not try to imitate the West. Apart from the heavy burden it imposes on the masses of the people, its content is such that it adversely affects both production and productivity by the concentrated attention it gives to inputs, while its effect on prices is of a cascading character, with the consumer, whether of consumer of capital goods, paying much more than what goes to the exchequer as tax revenues.

Let me now refer to the Jha Committee's findings on this subject. I quote:

(1) The taxation of inputs has been looked upon as an important source of revenue even after excises have acquired a universal character;

(2) In respect of excises as well as import duties, intermediate goods claim the largest share of the incidence both in the rural and urban sectors;

(3) Some features of the tax structure like heavy taxation of raw materials or differential taxation of raw materials and other inputs imposed mainly to raise revenue reduce the efficiency of the system;

(4) Taxation of inputs tends to encourage vertical integration, the manufacturer producing more and more of the inputs needed by him rather than buying these from ancillary industries. (This has a double adverse effect, on both increase in employment and in decentralisation, which both work against the accepted policy of Government);

(5) Import duties on inputs have become a major contributor to cascading and a general escalation of costs, besides often producing distortions in relative prices;

(6) Taxation of inputs affects exports adversely in as much as the former becomes a part of the cost of production. (And export promotion is an accepted national objective);

(7) The total burden on the consumer is usually much higher than the rates of tax imposed on final products....Extensive taxations of inputs has caused divergence between the nominal rates on final products and the cumulative rates on them; and

(8) A heavy tax at the input stage also tends to be regressive. It encourages manufacturers to produce more of expensive varieties out of the same input.

However, there is one good thing about our indirect taxes. The Jha Committee has pointed out that, "As far as indirect-taxes alone are concerned, despite widespread taxation of inputs, the tax burden turns out to be uniformly progressive". They admit however, that "indirect taxes fall even on the poorest sections of society" and that the effect of the taxes on sugar, foodgrains and atta is regressive with respect to total expenditure; and they agree that "a reduction in the weight of taxes on mass consumption goods such as sugar, foodgrains and kerosene would serve to increase the degree of progression in the indirect tax system".

But the taxation of inputs and the high incidence of import duties and Union excise duties on the final product does have adverse effects on production and productivity. One way of dealing with this problem is to introduce the Value Added Tax to take care of inputs and spare parts. This could be done at the manufacturing stage in the first instance in lieu of the present excise system and later extended to imports. The political and administrative arguments advanced against the introduction of a comprehensive VAT would not apply in this case. This restricted application of VAT is called MANVAT (Manufacture value added tax) and, as suggested by the Jha Committee, it could be operated on the basis of four or five rates that would be applied to the vast majority of consumer products as a result of the rationalisation of the duty structure on basic raw materials and inputs.

The more complicated and controversial problem is that of the rationalisation of the sales tax structure. A strong demand has been voiced, particularly from the business community, for replacing the sales taxes levied by States, by excise duties levied by the Centre and made available for distribution to the States on a defined basis; and to some extent, it appears to be rational in view of the prevalence of the single point sales tax at first sale when the goods are sold by the producer and is similar to the excise duty levied by the Centre. It is therefore argued that it is better to accept reality and obtain the additional advantage of uniformity and administrative convenience by the introduction of additional excise duties in place of current sales taxes. I do not accept this argument. One can find other ways of replacing the sales tax at the point of production than by the levy of additional excise duties.

The sales tax is a State prerogative and it forms a part of State autonomy and the working of political democracy at the State level of Government. Our system of Government is a federal one and anything which takes away the existing fiscal powers of State Governments, even if it is compensated by equivalent Central grants, is an infringement of the federal principle and a breach of the State autonomy given under the Constitution.

Moreover, as the Jha Committee have also pointed out, no excise system can become universal in coverage and that "*prima facie*, there is a strong case for preserving sales taxes in addition to excise duties on the ground that both play distinct roles". I would therefore urge on my friends in the business community to stop supporting a plea for the merger of the sales tax with the excise duty and, instead, concentrate on reforming the sales tax system in such manner as will remove its possible adverse effect on production and productivity without at the same time abridging the role of State autonomy in this matter. In this, I am supported by the Jha Committee itself, as is evident from their considered finding on the subject which I quote:

> "Given our federal system and the administrative problems of enforcing VAT at the post-manufacturing stages, the right course of action is not to pursue theoretically best solution, namely, one integrated system based on VAT principle but to adopt the second best solution of VAT applied to the manufacturing stage (to begin with) combined with a reformed system of sales taxation".

If we agree that VAT cannot be applied to the sales tax system on both political and administrative grounds, in what way can we reform the sales tax system?

(1) Achievement of uniformity in sales tax legislation and procedures either by the drafting of a model law by a Central agency like the Law Commission or entrusting the draft of such a law jointly and by agreement among a small group of representatives from different States which could be set up by a joint meeting of the Regional Councils for Sales Tax.

(2) More frequent and purposive meetings of Regional Councils of Sales Tax consisting of the Finance Ministers of the different regions for investigating and discussing matters relating to sales tax and public grievances about its operation.

I would particularly commend this suggestion to the Finance Minister of my State and request him to take the lead in activising the Southern Regional Council of Finance Ministers not only to secure uniformity in procedures and administration but also to secure uniformity in rates and concerted action in the matter of choice of commodities for the tax, reduction or increase in rates, definitions and classification, and provision for identification and resolution of public grievances. I think that in spite of the differing political hues of the Governments of Southern States, the atmosphere for such consultation and cooperation is much better here than elsewhere in India. And the salubrious climate of Bangalore and the non-belligerent attitude of its people can provide the necessary background for the initiation of such a move.

(3) I would also support the recommendations contained in the 61st Report of the Law Commission

in regard to taxation of works contracts, hire-purchase transactions, as well as the enactment of a provision for facilitating and enforcing the recovery of any amount realised as tax by a private person whether as sales tax or and other tax. Professional and other service incomes especially from building contractors, hoteliers and the distributive occupations are becoming an increasingly important part of the national income and also provide a great deal of opportunity for the generation of black money. From the economic point of view, both services and commodities belong not only to the same genus but also to the same species, though they might legitimately get grouped under different sub-species; and I don't see any reason why service incomes should be kept out of the sales tax while commodities are subject to it.

(4) I do not agree with the Jha Committee's suggestion for the adoption of a single point sales tax at the last stage. Apart from the harassment it involves to hundreds of thousands of small traders, it will also facilitate evasion and encourage corruption. I would therefore advocate a two point sales tax one at the stage of wholesalers and other distributors (including the transactions where the manufacturing firm takes on itself also the task of distributing its products) and the other at the retail stage, where it should take the form of a turnover tax rather than a complex of taxes on the sale of many individual commodities, except in the case of a selected but small number of commodities, on which it may be socially and economically desirable to levy special rates of taxation. The rate of sales tax at the wholesale stage should be moderate and not alterable for a specified number of years, the turnover tax at the retail stage should be minimal, and the special tax rates on the specified small list of selected commodities should be left to be determined by broadly accepted objectives of socio-economic policy.

So much for the sales tax. As regards the tax burden on road transport, I would agree with the Jha Committee's view that a strong case exists both on social and economic considerations for a reduction in this burden. After all, transport is the largest and most ubiquitous input that is made into the production process and it is high time that its incidence is looked into from the point of view of its effect on the quantum, speed and cost of production as well as productivity.

I would also urge strongly the need for a comprehensive collection of data on tax collections by classes, sources and other categories and an adequate monitoring, progress reporting and concurrent evaluation machinery by the institution of special cells for the purpose in the Central and State Finance Ministries. Simultaneously, I would also urge the utilisation of academic and non-political research institutions for the purpose of analysing tax yields and their relation to tax receipt potentials and the identification and progress of the variables that determine both tax yields and tax potentials. We have well-established institutions in the Southern capitals in particular which can be harnessed for this purpose. Even at the risk of being dubbed a partisan, I may mention in this connection the Institute for Social and Economic Change in Bangalore which has a highly competent faculty including a Professor who is one of the foremost specialists in public finance in this country. I am sure the Institute will be glad to cooperate if our Finance Minister were to want to use its services for specialised research work relating to the problems of public finance of the State.

I must now bring my address to a close. There can be no doubt about the need for reform of the system of indirect taxes in the country. As the distinguished ex Finance Minister who inaugurated the first meeting of the Jha Committee when he was Finance Minister said, and I quote, "There is a general feeling that the historical, uncoordinated growth of excise and sales taxation has led to a complicated maze" and added, "This general feeling is somewhat confirmed by certain preliminary studies undertaken at my instance in the Economic Division of the Ministry". The Jha Committee's report has more than confirmed the preliminary finding of the Economic Division of the Finance Ministry. In fact, it has found it a maze that is the result not only of lack of coordination between excise and sales taxation but also the result of uneconomic and socially harmful policies followed by the Centre in their excise duties and by the States in their sales taxes. The dominant consideration behind the excise duties and sales taxes seems to have been that of revenue, together with some populistic and uncoordinated attempts to use them for the fulfilment of otherwise acceptable socio-economic objectives.

In the process, consideration of their effects on the production structure and its productivity, cascading costs and their domestic inflationary effects and adverse effects on export competitive capacity, the increasing divergence between what the purchaser of the final product pays and what is received by the exchequer, the proliferation of public harassment and the widening of the doors to corruption, bribery and black money, all these considerations seem to have gone by the road side. All these considerations must be take into account when the Governments, both at the Centre and in the States, take up the question of taking some positive action on the reform of the structure and content of indirect taxation in this country.

(Extracts from the keynote address to the Seminar on Indirect Taxes, at Bangalore).

Trade Gap Narrows

THE REVELATION by the Economic Adviser to the Ministry of Commerce, Mr V. Agnihotri, last week that the adverse balance of trade during the first five months of the current financial year had narrowed down to Rs 2,290 crores from Rs 2,595 crores during the corresponding period last year has not come as any surprise. This development was expected in view of the improved performance of the economy. In fact, the hopes that the trade gap will be reduced further during the remaining months of the year are not misplaced. The full impact of the heartening trends in agricultural as well as industrial production are yet to be felt on the import/export front.

Exports during the five months to August are stated to have gone up by 12 per cent in comparison with the corresponding period last year. The growth in imports decelerated considerably from around 18 per cent during these months of 1980 to just around 3/4 per cent this year. With exports picking up further in September and pushing the growth rate for the first half of the year to 13 per cent and imports continuing to be at a low ebb, the trade deficit by September-end would have narrowed down further. The data for September, of course, is not fully available as yet.

Marked Improvement

The major factor helping to contain imports obviously has been the marked improvement in the availability from domestic sources of crude oil, fertilisers, aluminium and several other essential inputs of the economy. The impressive increase in the production of steel as well as some other industrial products, however, is yet to be reflected in reduced imports. The imports already contracted had to be continued. Future contracting should slow down following the mid-year review of the import policy currently being carried on by the Commerce Ministry.

The reduction in the import bill, in fact, should have been much more impressive but for the depreciation in the value of the rupee in terms of the US dollar in which an overwhelming proportion of our imports are still contracted. Exports probably have been stimulated to some extent due to currency fluctuations, but this cannot fully compensate for the increased import costs.

Encouraging Development

On the export front, encouraging developments have been witnessed particularly in regard to agricultural commodities and engineering goods. The six months to September witnessed the former exports registering an increase of as much as 48 per cent to Rs 602.03 crores from Rs 406.7 crores during April-September last year. About 50 per cent of the current year's target of Rs 1,208 crores for these exports had been achieved by September.

Exports of tobacco, cashew, processed foods, extractions, castor oil, shellac and rice have gone up sharply. Tobacco shipments have been up from Rs 77.75 crores during April-September, 1980, to Rs 110.49 crores during the first six months of the current year and those of cashew from Rs 87.58 crores to Rs 137.38 crores, processed food from Rs 85.22 crores to Rs 112.12 crores, castor oil from Rs 12.40 crores to Rs 19.32 crores and shellac from Rs 4.80 crores to Rs 7.91 crores. Rice exports have netted as much as Rs 119.94 crores, as against just Rs 30.48 crores.

With the resumption of sugar exports in the near future—the STC is stated to have already entered into an export commitment to the extent of 40,000 tonnes following the lifting of the ban on these exports—and the endeavour is being made to raise rice exports to at least half a million tonnes, the export target for agricultural commodities ought to be easily exceeded. The shipments of rice upto September had been around 351,000 tonnes, as against 97,000 tonnes during April-September last year.

Engineering goods have registered, during the first half of the year a growth of 20 per cent from Rs 324 crores to Rs 390 crores. Exports of capital goods have gone up by 23 per cent and those of consumer durables by 28.4 per cent. The exports of iron-steel-based sample items have remained at the same level as last year.

Heartening trends have continued in the exports of gems and jewellery, cotton handloom goods and garments as wel as silk goods, minerals, chemicals and allied products, plastic goods, etc. Exports of jute goods, tea, coir, leather and lether goods, pharmaceuticals and cosmetics, however, have suffered some setback.

Tax Modifications

THE SUGGESTION of Mr L.K. Jha, Chairman of the Economic Administration Reforms Commission, for an open debate on changes in direct taxes instead of treating them us confidential till they are disclosed by the Finance Minister in his budget speech, though made in his personal capacity, deserves endorsement. Such a plea, of course, has been made often by industry circles in the past, but it is for the first time that an economist of the eminence of Mr Jha, who has adorned the highest echelons of the civil and banking administration in the country, has lent his voice to it. The suggestion was made by him in his inaugural address to the 15th National Conference of Corporate Managers and Tax Executives convened by the

Federation of Indian Chambers of Commerce and Industry in New Delhi last week.

As Mr Jha pointed out, there is no secrecy involved in modifications in direct taxes. Even currently, unlike the indirect taxes, changes which take effect from the midnight of the day they are proposed or announced by the Finance Minister, the alterations in direct taxes take effect from April 1 or any other specified date even though they are proposed in the budget speech on the last working day of February. In the meanwhile, Parliament has its say on them in the general debate on the budget : modifications in them are made by the Finance Minister at the time of moving the Finance Bill for the consideration of the Lok Sabha in mid-April. This does not in any way affect their implementation from April 1, for they relate to a fiscal year. The merit of Mr Jha's suggestion is that if they are made in the form of intentions outside the budget, the Finance Minister will be in a better position to assess their impact in the light of the reactions and suitable modifications can be made even before they are formally proposed. If they are made as a part of the budget, prestige considerations often stand in the way of improving them any drastically or dropping them altogether.

The case of indirect taxes, of course, is quite different. Modifications in them have to take effect immediately on the consideration that undue advantage is not taken of them through manipulation or otherwise. In fact, there is a sound case for modifying indirect taxes even during the course of a year instead of lumping these changes together at the time of the presentation of the budget. The changing economic scene and the specific circumstances pertaining to any individual item of taxation ought to be taken note of more expeditiously than is possible under the present system. No doubt, some modifications in indirect taxes are effected even currently during the course of a year within the ceilings authorised by Parliament, but resort to this is taken only sparingly.

Another suggestion made by Mr Jha during the course of his inaugural address too deserves pertinent note. It relates to the action to be taken by the Government in response to court decisions on tax matters. Invariably, the Government has to wait for Supreme Court's verdict on matters coming before it on appeal from High Court decisions before the amending legislation is brought forth. Mr Jha has suggested that if a certain view of the matter is to be enforced by the Government, the amending legislation may be brought forth even after a High Court decision, for in matters concerning the overall policy the Parliament is supreme. On many occasions, the High Court decisions involve only technicalities. It is, therefore, futile to wait for the verdict of the Supreme Court in such cases. The process of law being too time-consuming, the tax assessments are unduly delayed.

Eloquent Testimony

An eloquent testimony to this is avaliable from the growth in tax arrears to as large a sum as Rs 1,000 crores from just a small fraction of it only a few years ago. The Government may even consider in this regard adjudication by a special tribunal set up for the purpose so that the decisions of High Courts can be dealt with more expeditiously that at present without in any way deviating from the rule of law.

Against the backdrop of the liberalisation effected by Mr R. Venkataraman during the past two years in income-tax, the suggession of Mr N. Palkhivala during his luncheon address to the above conference, for limiting income-tax liability to not more than 50 per cent of an assessee's earnings needs to be welcomed. Experience has shown that moderation in taxation does not erode receipts any materially, if at all it does. In fact, tax receipts tend to go up as a result of greater compliance with the law. Instead of unduly raising the tax burden, which breeds unaccounted money, what needs to be done for throwing up larger funds for investment is curbing of wasteful expenditure by the Governments, both at the Centre and in the States. The scope for this, according to Mr Palkhivala, is not insignificant. •

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Chief Executive

UTI: Big Tasks Ahead

For the second year in succession, the Unit Trust of India has reported a steep decline in the sale of units. For the year 1980-81 the sale of units at Rs 52.10 crorer showed a fall of 10 per cent from the previous year's level of Rs 57.85 crores. On the other hand, repurchases by the Trust showed an increase of 22 per cent from Rs 14.41 crores in 1979-80 to Rs 17.64 crores in 1980-81.

The gross income of the Unit Scheme 1964 increased to Rs 55.42 crores from Rs 45.16 crores. The proportion of the gross income to capital and reserves increased from 11.3 per cent to 12.8 per cent. This has enabled the Unit Trust to increase the dividend from 10 per cent to 11.5 per cent.

The performance of the Unit Trust since its inception in 1964 cannot be regarded as very impressive barring the years 1977-78 and 1978-79 when it mobilised a substantial portion of funds. This is attributable to a special reason.

Of the two major schemes operated by the Unit Trust, the initial scheme known as Unit Scheme 1964 forms a sizeable portion of its operations. The sale of units under this scheme declined to Rs 39.66 crores in 1980-81 from Rs 48.93 crores registered during the previous year, a decline of about 19 per cent. The repurchases under this scheme increased from Rs 13.76 crores in 1979-80 to Rs 15.36 crores in 1980-81. The higher repurchases during the year were mainly due to the completion of the statutory three year holding period stipulated under Section 54E of the Income Tax Act to avail of the exemption from capital gains tax under that section. It may be recalled that Section 54E was introduced in 1977 and the units issued by the Unit Trust were deemed as approved security for availing of the exemption from capital gains tax. The units thus availed have to be held for a period of three years. The sale of units subsequently showed an unprecedented buoyancy, the aggregate sale touching Rs 73.28 crores in 1977-78 and crossing the Rs 100 crore mark (Rs 101.53 crores) in the next year. However, the concession was withdrawn in 1979. The sale of units since then has shown a decline. This shows that the resources mobilised during that period were more in the nature of short-term investments for availing tax benefits than garnering the genuine savings of the community. Since the stipulated period is over, there has been higher repurchases. This will perhaps continue even during the current year.

Judging by the movements of unit prices, it is clear that the investors can find no scope for capital appreciation although the market value of the securities held by the Trust is far above the book value, the difference reflecting the appreciation in the real worth of units. For instance, the aggregate market value of the quoted investments including Government securities under the Unit Scheme 1964 as on June 30, 1981 stood at Rs 329.32 crores as against the book value of Rs 167.61 crores. Obviously, the appreciation in the value of securities is not reflected in the quotations, thus withholding the gain of the appreciation from the unit holders.

T.T. Vijayaraghavan writes from Bombay

It may be mentioned here that the Unit Trust formulated Unit Scheme 1976—popularly known as the Capital Unit Scheme—with the prime objective of securing capital growth for unit holders through investment of funds of the scheme in equity shares and convertible bonds/debentures of companies with good growth prospects. At the time of the introduction of the scheme, it was held that barring extraordinary and unforeseen circumstances, investment would be doubled in about five years besides paying a modest dividend. Units under the scheme were, however, sold only for a short period of less than four months aggregating to the value of Rs 7.47 crores. The scheme was terminated on completion of the five-year period and these units were repurchased by the Unit Trust during the year for an amount of Rs 200.10 per unit (face value Rs 100). In the interim period the unit holders also received dividend totalling Rs 13.50 per unit.

In the light of this, the only benefits which the unit holders can hope are reasonable current yield and better liquidity. The current yield on the units works out to 10 per cent (on a price of Rs 11.50 and a dividend of 11.5 per cent). This is not comparable to the current yield obtained on other corporate securities such as debentures giving a current yield of 15 to 16 per cent. However, it must be mentioned in fairness to the UTI that the yield of 10 per cent for a period of 12 months becomes attractive vis-a-vis the bank deposits which carry an interest rate of six per cent for a period of 12 months. Besides, the dividend from units are eligible for an exclusive tax exemption of Rs 2000 per annum in addition to the general exemption of Rs 3000 available for income by way of interest on bank deposits, dividend on corporate securities, dividend from units etc.

Absence of Liquidity

The absence of sufficient liquidity is the main reason for the poor sale of units. The Unit Trust has, no doubt, made arrangements for sale of units through the branches of commercial banks numbering over 30,000 spread all over the country. However, repurchases are made only at the offices of the Unit Trust located in the four metropolitan towns of Bombay, Delhi, Madras and Calcutta and sub-offices at Ludhiana and Trichur. The Unit Trust should obviously devise suitable measures to improve the liquidity of the units for avoiding the present delay. As it is, the geographical inaccessibility has come in the way of fully utilising the resources potential. An amount of Rs 50 crores raised by the sale of units is nowhere near the amount raised by banks, post offices and the national savings organisations. Also, if the Unit Trust continues to depend on banks and post offices for sale of units, no substantial improvement could be expected since they are also prime mobilisers of the community's savings, thus in a way competing with the Unit Trust.

Lower Yield

Further the sale is concentrated in the western region only which accounts for more 50 per cent of total sales. There is, however, little doubt that a vast potential exists to raise a substantial amount by sale of units. This can be achieved only by improving the yield on the units to be more or less on par with the interest rate structure which in turn calls for imaginative planning for deploying the resources. The Unit Trust is already finding it difficult to deploy its funds profitably in corporate securities. This is evident from the fact that nearly Rs 100 crores (excluding the provision for dividend) has been kept as deposits in banks and companies. This constitutes more than 20 per cent of the total investment of the Unit Trust. For the year 1980-81 out of the total investible surplus of Rs 56.18 crores the Unit Trust had deployed Rs 29.90 crores in deposits with companies and banks. The return on company deposits may be attractive but this will in the long run result in the Unit Trust becoming a deposit taking agency for the companies. Hence, the Unit Trust, one of the largest operators in the capital market, should formulate plans to activate the capital market so that the funds could be more beneficially employed. It should also take steps to pass on the benefits of capital appreciation on the existing scheme.

The Unit Trust was set up to serve as a conduit for mobilising the savings of small investors who have no access to the capital market for investment of their funds into corporate securities. The basic idea behind the scheme was to provide the small investors with an assured rate of return and also capital appreciation that would be normally available on investmant in corporate securities. The Unit Trust has been fulfilling its obligation in respect of the former objective by declaring a dividend right from its inception. However, the units, as stated earlier, have had no scope for capital appreciation whatsoever. Thus the latter objective, which is more important, remains unfulfilled. All this would show that while the potential for resources mobilisation is fairly bright, the investment opportunities for funds thus mobilised continue to be rather dim, Since these two aspects are inter-related. the Unit Trust faces a formidable challenge in the coming years in fulfilling the original objectives even with some moderate success.

Indo-Pak Trade

It remains to be seen whether the political differences between the two countries will enable India and Pakistan to fully take advantage of the complementarities of their economies. But indisputably their socio-economic conditions, geographical proximity and consequent-low freight rates can foster trade between them to a much larger extent than has been the case hitherto.

A 22-member delegation of the Federation of Pakistan Chambers of Commerce and Industry under the leadership of its President, Mr Mohd. Yousuf Zia, had discussions here last week with the representatives of the Federation of Indian Chambers of Commerce and Industry led by Mr Arvind N. Lalbhai, the FICCI President. It was indicated during these talks that Pakistan could make available to India such items as cotton, furnace oil, certain types of steel products, metallurgical coal as well as other manufactured goods and raw materials. India could supply to Pakistan diesel engines over 30 HP, tyres and tubes, chemical and pharmaceutical products, electrical products (including components and parts), agricultural equipment, tea, iron ore, sugar, etc. besides technology for the manufacture of tractors and auto parts.

Many more items for mutual beneficial commercial exchanges can further be identified easily. Pakistan's participation in the extensive trade fair that is being held currently in New Delhi under the auspices of the Trade Fair Authority of India immediately provides a good opportunity for this purpose. While the Pakistani businessmen can well assess the capabilities of India to meet their import requirements, the Pakistan pavilion—one of the largest to be put up by a foreign country—depicts the strides that Pakistan has taken on the road to industrialisation.

Mutual Benefit

Significantly enough, last year 44.9 per cent of Pakistan's three billion dollar exports comprised manufactured goods, 11.3 per cent semi-manufactured products and 43.8 per cent pre-manufactured commodities. India too has been able to vastly diversify its exports in the recent years. Both, therefore, are in a position to meet each other's requirements not only of raw materials and industrial intermediates but also of manufactured goods. The process of identifying new items for trade exchanges can be helped by a visit by Indian businessmen to Pakistan, a proposal to which effect has been made by the Pakistani delegation.

A pre-requisite for enlarged trade, however, is the conclusion of a fresh agreement in place of the one which expired in January, 1978, and allowing of trade contacts on private account. Pakistan has been charry of the latter with the result that while its exports to India is increased from Rs 12.8 crores in 1978-79 to Rs 24.4 crores in 1979-80 and amounted to Rs 25.6 crores during April-September, 1980, India's exports to Pakisten declined from Rs 19.45 crores in 1978-79 to Rs 9.45 crores in 1979-80 and just Rs 31 lakhs during the six months to September, 1980.

The two sides felt at the last week's deliberations that preferential treatment could be accorded to each other's products without violating the provisions of the GATT. There was as well good scope for collaboration between the two for setting up construction and other projects abroad, particularly in West Asia. Joint efforts could be made to win contracts for mutual benefit.

Soft loans—A Misnomer-?

At the workshop on finance for industry, sponsored by the Indian Chamber of Commerce in Calcutta on November 7, several suggestions were made to modify the soft loan scheme and enhance its usefulness. The background paper, highlighted certain aspects of it, which imposed stiff conditions on the borrowers and made it extremely difficult for them to avail themselves of its facilities.

For example, sometimes financial institutions wanted to probe into the affairs of companies which were not directly connected with the one applying for the loan though under the same management. The insistence that the promoter should contribute as much as 20 per cent or even more of the cost of the project was too harsh on the units whose viability had been eroded due to uneconomic working. There were also occasions when the amount of the loans sanctioned under this scheme was reduced on the ground that the performance of the unit had improved. This practice was criticised as unfair because the better results might have been due entirely to temporary factors. Another complaint was that in the case of the jute industry, the Industrial Finance Corporation of India, the lead institution, generally asked for personal guarantees of Directors while the other financial institutions did not insist on such a condition.

Mr N.N. Pai, the Chairman of the Industrial Development Bank of India. in his inaugural address to the workshop, dealt comprehensively with the various aspects relating to industrial finance. He assured that the financial institutions and the Government of India would give careful consideration to the geniune difficulties of industry. It is essential that the Government should give particular attention to the working of the soft loan scheme and amend it suitably so that, while taking adequate care to ensure the prompt and proper utilisation of the funds, the industrial units are not subjected to unnecessary delays and uncertainties. The modernisation programmes of many traditional industries like jute and cotton have been making slow progress despite their great importance to the country's economy from the point of view of export promotion and employment. It will therefore be unfortunate if their implementation is held up by dilatory procedures or the absence of close coordination among the financial institutions. The soft loan scheme will indeed be a misnomer if its conditions remain as rigid as at present.

R. J. Venkateswaran writes from Calcutta

In this context, it will be interesting to refer to the views of Mr A.W. Clausen, President, World Bank, on the role of the International Development Association which is often mentioned as the Bank's "soft loan" window and its credits as "soft loans". In his address to the Board of Governors in Washington on September 29, Mr Clausen said that these names are "misleading". He explained that "IDA credit terms are concessional—and they are concessional for sound, no-nonsense economic reasons—but what is not true is that the development projects themselves, which these credits help finance, are soft".

Mr Clausen added : "IDA credits get exactly the some tough, searching treatment from the staff and in the Board that IBRD loans do. And that is not surprising since there is absolutely no difference in standards between an IDA project and an IBRD project. The same professional staff in the World Bank negotiates and administers these credits. The same high rates of economic return are insisted upon. The same supervision and international competitive bidding for procurement are rigorously applied; and the same full Government guarantees of repayment are required".

In the case of the soft loans offered by the Indian financial institutions, the Government is, of course, justified in taking all reasonable precautions to ensure that the funds are fully and effectively utilised. But in doing so, the Government should not make the rules so stringent as to scare away industrial units and thus defeat the very objective of the soft loan scheme.

The background paper to the workshop stated that in recent years industry had been compelled to depend increasingly on term lending institutions because of excessive rates of personal and corporate taxation which have affected the profitability of the corporate sector, restrictions on inter-company investments, and the higher project and replacement costs due to inflation. The Government's fiscal policy therefore has to be made more growth oriented to enable companies to earn more profits and plough them back for modernisation and expansion. Meanwhile, the soft loan scheme calls for a fresh look so as to make it less restrictive and more attractive to industries.

Tea at Leisure

THE ANNUAL general meeting of the Tea Association of India, held in Calcutta on November 13, considered various aspects relating to the development of the industry but the discussions revealed that the Central Government and the State Governments concerned were yet to take effective action to give a strong stimulus to production and exports. Mr S.N. Bagla, in his presidential speech, referred to the recommendations made at the national meet on tea held in New Delhi early in August this year and stressed the need for their expeditious implementation. He welcomed the excise duty relief on direct tea exports but suggested that other steps should be taken soon, such as a substantial reduction in excise duty as well in the agricultural income tax and the other local taxes, exemption from rural employment cess, and provision of adequate credit at concessional rates. The Union Commerce Minister, Mr Pranab Mukherjee, in his inaugural address, said that the Governments of Kerala and Tamil Nadu had also offered some fiscal relief and he expressed the hope that the other State Governments would follow suit.

Important Suggestion

Mr Mukherjee reminded the Association that the national tea meet had made some recommendations on which action was to be taken by the industry, such as giving priority to exports, producing tea of better quality, ploughing back more funds for improving productivity, paying more attention to research and development, and increasing marketing of tea in value added form. The Minister said that the steps taken by the industry to implement these proposals were not known to the Government. "I do hope," he observed, "that the industry is giving serious thought to the issues that were raised." But how does New Delhi expect the industry to carry out speedily the recommendations relating to it unless at the same time the Central and State Governments also play their part by removing the various disincentives ?

The West Bengal Government seems to be in no mood to provide any relief to the industry. Mr Bagla pointed out that the imposition of the production cess from April 1, 1981 at the rate of Rs 5 per kg on all teas within West Bengal, with the exception of Calcutta and Siliguri auctions, had caused "serious impediments" in the marketing of teas. He said that channeling tea only through Calcutta and Siliguri auctions had depressed the prices causing "great hardship" to the tea growers in West Bengal and that the fate of the sale of green leaf was worse since in its case the cess worked out to Rs 6 per kg. He appealed to the State Government to lift this levy and permit the tea estates to use the various market channels open to them to improve their unit price realisation. But Dr Ashok Mitra remains unconvinced.

Mr Mukherjee expressed concern at the growing problem of sickness in the various tea estates and he suggested that the State

Governments, financial institutions and the labour unions should work together effectively for the revival of the sick units. But what about the role of the Central Government ? What steps is it taking to restore such units to health and to prevent future sickness ? Why is it following a dilatory policy in regard to the rehabilitation of the industry in Darjeeling ? The Minister revealed that "a more comprehensive scheme" for this purpose was "under advanced stages of consideration." It remains to be seen how soon this will be announced and how effectively it will be implemented.

Special Leadership

Mr Mukherjee told the Association that in an agro-based industry like tea, more investment by way of improved field management practices would produce better profits in future years. He said that this would call for "special leadership and enterprise which I am confident, members of your Association are fully capable of providing." But the industry can provide such leadership only if the Government creates the right atmosphere. The industry needs an annual investment of Rs 160 crores to achieve the production target of 1400 million kg by the end of the century. However, paucity of finance and land has been a major problem. Both these aspects should receive greater attention from the Central and the State Governments.

The Chairman of the Tea Association pleaded for the immediate upward revision in the rates of development loan and subsidy given by the Tea Board. Mr Mukherjee seemed to agree with this view although he was not fully convinced about it. He said that "there is perhaps a need to have a closer look at the development schemes of the Tea Board in order to rationalise the flow of funds for activities that are vital to the growth and development of the industry." He admitted that "the rising cost of production and poor auction price realisations have been making tea cultivation an unremunerative proposition." The Government of India and the State Governments therefore cannot afford to deal with the industry's problems in the same leisurely manner as hitherto. •

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Indian Banking Today

Banking—Slow and Steady

T. C. A. Srinivasa-Raghavan

IN INDIA where the banking habit has still not caught on very widely, three things deserve special attention. One, the trends in deposit-growth; two, the sectors (or areas) to which these deposits are subsequently lent and, three, lending to priority sectors.

The year 1980-81 was reasonably satisfactory for deposit growth. Aggregate deposits of scheduled commercial banks increased by 20.4 per cent (Rs 6,807 crores) over the previous year when they had grown by only 16.4 per cent (Rs 4,706 crores). This was due to three factors: a decent-sized rise in real national income in 1980-81, larger credit expansion and sizeable primary money creation. Accretion to demand deposits were to the tune of Rs 1,551 crores (23.5 per cent) in 1980-81 compared to just Rs 407 crores (6.6 per cent) in 1979-80. In fact, the 1980-81 accretion was higher than that of 1978-79 also. The growth in time deposits was also higher at Rs 5,256 crores than both that of 1979-80 (Rs 4,299 crores) and 1978-79 (Rs 4,058 crores).

One feature needs to be pointed out, though; owing to the new procedure being followed by banks, a substantial portion of savings deposits are now being classified as time deposits and only a small portion as demand deposits. This contrasts with the earlier procedure when the reverse was true. Since this new procedure has been implemented by banks on different dates (starting from January 1978) the figures of demand and time deposits for 1980-81 are not strictly comparable with those for 1979-80 and 1978-79. However, the Reserve Bank of India (in its report on Banking Trends) says that the aggregate deposit figures are not affected by the revised classification. The RBI has also made adjustment for the changes made by commercial banks in the classification of saving deposits on the assumption that those banks whick adopted the new classification in 1978-79, 1979-80 or

TABLE I

Commercial Banking at a Glance

	End-June 1980	End-June 1981
Number of Offices	32,419	35,706
Rural	15,101	17,652
Semi-urban	8,078	8,423
Urban	4,856	5,126
Metropolitan/Port towns	4,384	4,505
Population per bank office	20,000	19,000
Total deposits (Rs crores)	33,377	40,184
Gross bank credit (Rs crores)	22,143	26,403
Investments in Government and other approved securities (Rs crores)	11,824	14,222
Cash and balances with RBI (Rs crores)	4,089	5,453
Borrowings from RBI (Rs crores)	488	564

DEPLOYMENT OF CREDIT

	March 1980	March 1981
	(Rs crores)	
Gross Bank Credit	21,235	24,789
Food procurement	2,100	1,759
Non-food	19,135	23,030
Of which export credit	1,640	1,650
Non-Food Credit		
Priority Sectors	6,730	8,486
Agriculture	2,767	3,573
Small-scale industries	2,635	3,230
Other priority sectors	1,328	1,683
Industry (medium and large)	8,269	9,984
Wholesale trade (other than food procurement)	1,915	1,994
Other sectors	2,221	2,566

Source : RBI Report on Trends and Progress of Banking in India.

TABLE II
Growth of Demand and Time Deposits: Published and Adjusted Data

(Rs crores)

	Outstanding as on the last Friday of				Variation during		
	June 1978	June 1979	June 1980	June 1981*	1978-79	1979-80	1980-81
			PUBLISHED DATA				
Demand deposits	9,219	11,050	10,555	8,148	+1,831	−495	—2407
					(+19.9%)	(−4.5%)	(—22.8%)
Time deposits	14,094	17,621	22,822	32,036	+3,527	+5,201	+9,214
					(+25.0%)	(+29.5%)	(40.4%)
Aggregate deposits	23,313	28,671	33,377	40,184	+5,358	+4,706	+6,807
					(+23.0%)	(+16.4%)	(+20.4%)
			ADJUSTED* DATA				
Demand deposits	4,890	6,190	6,597	8,148	+1,300	+407	+1,551
					(+26.6%)	(+6.6%)	(+23.5%)
Time deposits	18,423	22,480	26,780	32,036	+4,058	+4,299	+5,256
					(+22.0%)	(+19.1%)	(+19.6%)
Aggregate deposits	23,313	28,671	33,377	40,184	+5,358	+4,706	+6,807
					(+23.0%)	(+16.4%)	(+20.4%)

Note: Figures in brackets indicate percentage variations.

(i) Data for June 1978, June 1979 and June 1980 are adjusted for changes on the classification of savings deposits on the assumption that those banks which adopted the new classification in 1978-79, 1979-80 or 1980-81 had done so from June 1978. As the new classification was adopted by these banks prior to June 1981, the data for June 1981 are not required to be adjusted. *Partially revised.

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1980-81 had done so from June, 1978. This according to the RBI makes the data comparable. Table I shows how.

On the subject of the pattern of credit-deployment, one is faced with an oft-repeated criticism: the prevailing imbalance in the pattern of lending between rural, semi-urban and urban areas. There are two special features of such imbalances. First, the varying credit deposit ratios and second the rural/semi-urban versus urban/metropolitan flow of the banking sectors resources.

There are, however, dangers in using the credit-deposit ratios as the sole indicator. This is because they may not always depict the true picture of the extent to which resources mobilised in a particular region (or State) are utilised in that region or State. There are three reasons for this. First, these ratios do not take into account the investment of bank funds in securities of State Governments, debentures of State level institutions etc. which contribute to the financing of the developmental projects and infrastructural facilities. Second, in some cases, the ratios may be high due to the relatively lower magnitude of deposits; and third, some allowance has to be made for what is called migration of credit. (This means loans sanctioned by a bank in its offices in a given area may not necessarily represent the financing of activities located in that area). However, even after allowing for these factors, the imbalances as indicated by the credit deposit ratios are of a sufficiently serious nature for the Reserve Bank of India to have made a special mention of them.

The other area of imbalances is the low credit-deposit ratio in certain rural areas. In other words, this indicates the possibility of the rural branches having become a channel for directing resources from rural to urban areas. In order to prevent this, the public sector banks were advised in March 1979 that their rural and semi-urban branches should separately achieve a credit deposit ratio of at least 60 per cent (the private sector banks were told to reach the target within a specified time). For the banking system as a whole, the all India credit-deposit ratios for rural and semi-urban branches were 57.2 and 48.9 per cent

TABLE III

Scheduled Commercial Banks Data

(Rs crores)

	Outstanding as on			Variations during	
	June 29, 1979	June 27, 1980	June 26, 1981@	1979-80 (2—1)	1980-81@ (3—2)
	1	2	3	4	5
1. Aggregate Deposits	28,671	33,377	40,184	+4,706	+6,807
(a) Demand Deposits$	11,050	10,555	8,148	— 495	—2,407
(b) Time Deposits$	17,621	22,822	32,036	+5,201	+9,214
2. Total Bank Credit	19,687	22,068	26,400	+2,381	+4,332
Of which					
(a) Food procurement advances	2,996	2,410	2,213	— 586	— 197
(b) Bank credit excluding food advances	16,691	19,658	24,187	+2,967	+4,529
3. Bills Rediscounted with the RBI	71	75	3	+ 4	— 72
4. Gross Bank Credit (2+3)	19,758	22,143	26,403	+2,385	+4,260
5. Investments in Government and other Approved Securities	9,389	11,824	14,222	+2,435	+2,398
(a) Government securities	6,876	8,461	9,976	+1,585	+1,515
(b) Other approved securities	2,513	3,363	4,246	+ 850	+ 883
6. Cash in Hand and Balances with the RBI	3,582	4,089	5,453	+ 507	+1,364
7. Borrowings from the RBI	659	488	564	— 171	+ 76
8. Credit-Deposit Ratio	6.7	66.1	65.7		
9. Gross Credit-Deposit Ratio	68.9	66.3	65.7		
10. Non-food Credit-Deposit Ratio	58.2	58.9	60.2		
11. Gross Non-food Credit-Deposit Ratio	58.5	59.1	60.2		
12. Investment-Deposit Ratio	32.7	35.4	35.4		

Note: Bank credit figures are inclusive of credit extended through issue of Participation Certificates.

@ Partially revised. **$** Consequent to the amendment to Regulation 7 of the Reserve Bank of India Scheduled Banks Regulations, 1951 a number of scheduled commercial banks have classified a larger proportion of their savings deposits as time deposits and a small proportion as demand deposits on various dates and the data are as reported by banks in their returns.

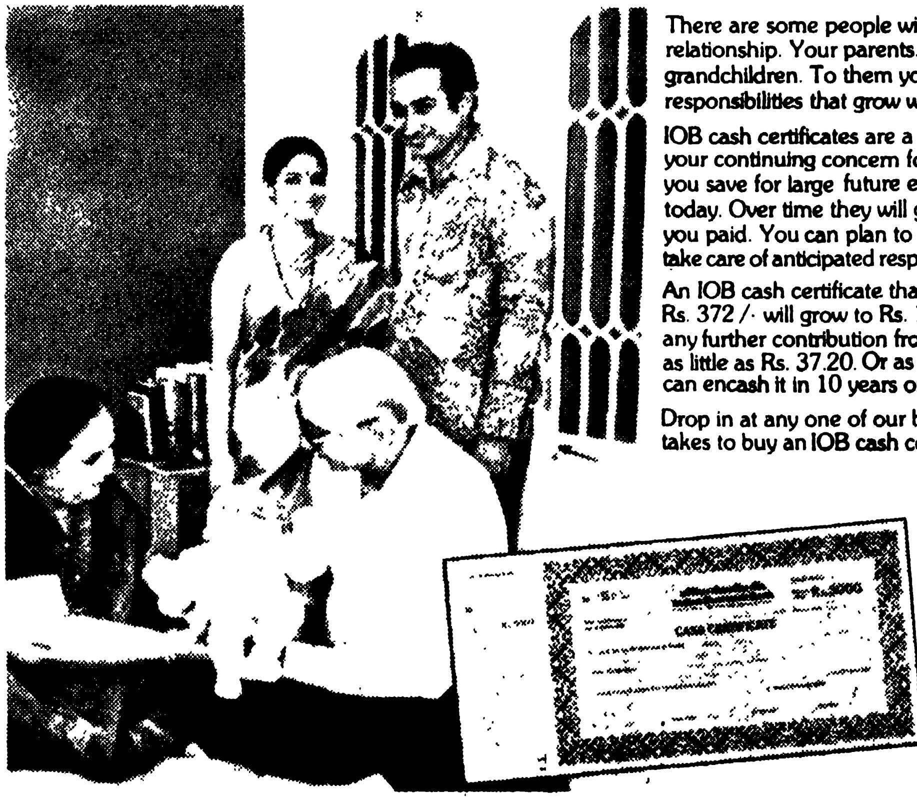
respectively. Surprisingly, the performance of the private sector banks was better than that of the public sector banks in this regard. These banks had achieved 79.1 and 49.7 per cent respectively for rural and semi-urban branches. It is understood, however, that while such targets may be desirable from the point of view of equity and, indeed easy to fix through administrative fiats, the public sector banks are apprehensive about what such a pattern of credit-deposit ratios would do to their profitability. In view of the performance of the private banks in this regard, such apprehensions would appear to be misplaced and perhaps indicative of their reluctance to go into rural areas.

This bring up the issue of lending to the priority sectors. Despite the emphasis on a restrictive policy, efforts to increase the involvement of banks in the priority sector have continued. Banks were asked to try and achieve the targets recommended by the working group on the modalities of implementation of priority sector lending. As such they were told three things: that (1) Forty per cent of the priority sector lending should go to agriculture; (2) Fifty per cent of this should go to small farmers and agricultural labourers; and (3) 12.5 per cent of the total credit going to small scale industries should be directed to rural artisans, village craftsmen, cottage industries, and small industries not requiring in excess of Rs 25,000. Advances to priority sectors in 1980-81 increased by Rs 1,756 crores (26.1 per cent) as against Rs 1,340 crores (24.9 per cent) in the previous year. Advances to agriculture and small-scale industries rose by Rs 806 crores (29.1 per cent) and Rs 595 crores (22.6 per cent), respectively, as compared with Rs 604 crores (27.9 per cent) and Rs 458 crores (21.0 per cent) respectively, in the previous year.

However, the Reserve Bank of India feels that the banks have a long way to go towards meeting the national targets. For instance, in March 1981 priority sector advances formed 33.6 per cent of total credit—a level which was only marginally higher than the target of 33.3 per cent set for March 1979, and way below the stipulated target of 40 per cent to be reached by 1985. Similarly the progress towards the achievement of other national targets has also been tardy. These include the target of 60 per cent of total deposits mobilised from rural and semi-urban areas to be deployed in those areas.

A brief reference to regional rural banks is also in order here. During 1980-81 29 new RRB's were set up. There are now 18 States which have these banks and the total number of RRB's functioning in the country is 102 covering 172 districts. Table IV gives the performance of RRB's.

At the end of June 1981 the number of



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branches stood at nearly 3,600 against 2,678 a year before. Ninety per cent of the offices of RRB's have been opened in rural areas and unbanked centres. The Reserve Bank of India continues to give priority to RRB's in the matter of opening of branches in rural areas. The opening of branches alone is not enough and much more has to be done by these banks towards lending more to the rural population. The deposits and advances of 84 RRB's that reported aggregated to Rs 223 crores and Rs 274 crores respectively in March, 1981 Advances to small and marginal farmers, landless labourers and rural artisans amounted to Rs 157 crores at the end of December 1980 and formed 69 per cent of the total advances.

The central problem facing the RRB's is that of attaining viability as early as possible. In this context, they were advised to increase the availment of RRB's refinance. On an average a RRB is said to require about six years and a net work of 70 branches to become viable. For this it is necessary that it reaches an outstanding loan business level of Rs 8 crores and also has a margin of about five per cent between its borrowing and lending rates. With a view to helping them to increase their lending business, the RRB's have been permitted to grant loans under the DRI scheme. They have also been given permission to undertake other banking services and are expected to play more active role in the Integrated Rural Development Programme. It remains to be seen how successful this experiment is going to be.

Table V shows the State-wise distribution of bank offices as at the end of June,

TABLE IV

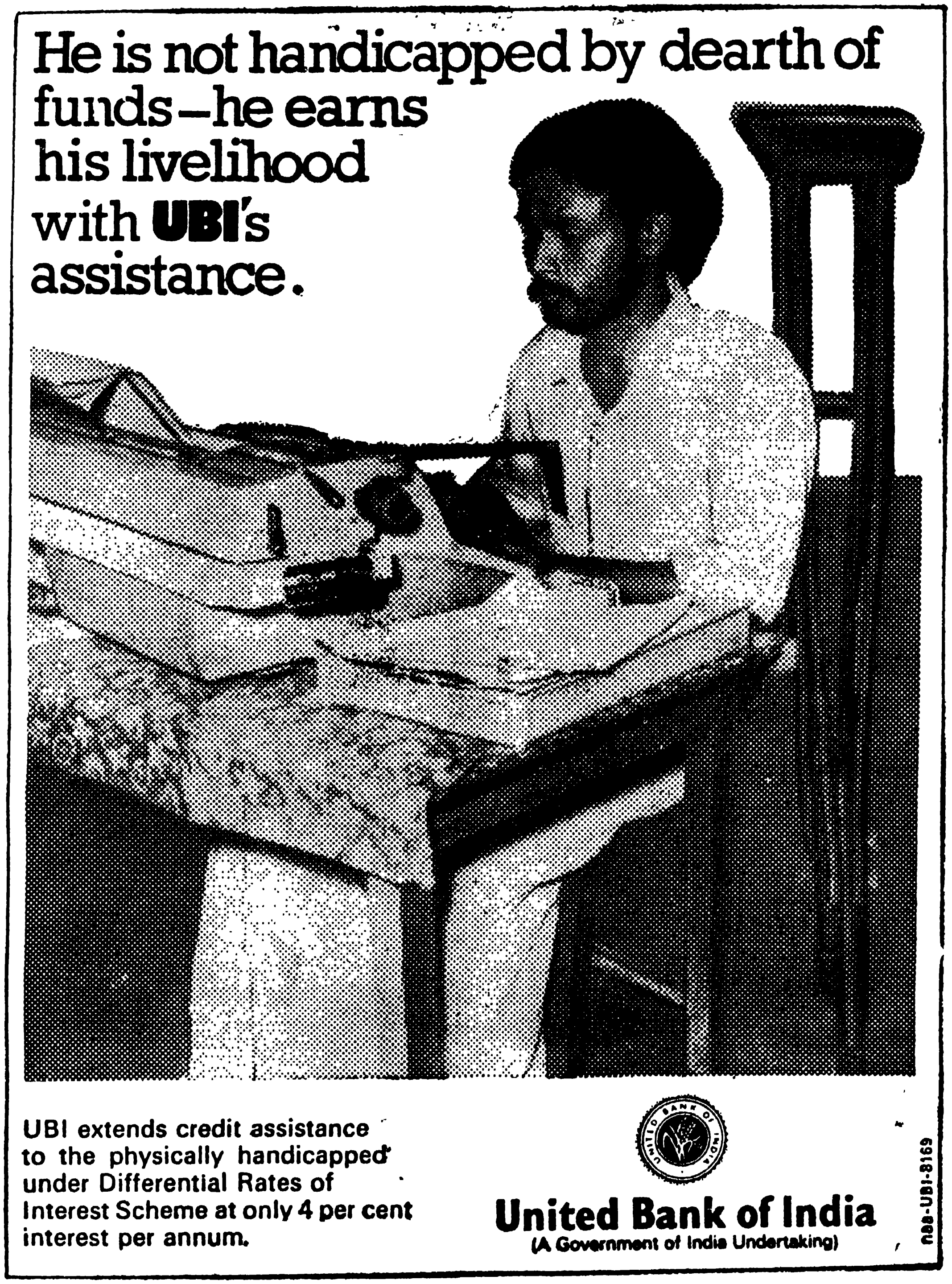
Sectoral Deployment of Gross Bank Credit (Rs crores)

	Outstanding as on			Variations during	
	March 30, 1979	March 28, 1980	March 27, 1981 @	1979-80 April 1979-March 1980	1980-81 April 1980-March 1981
I. Public Food Procurement	2,210	2,100	1,759	— 110	— 341
II. (a) Priority Sectors	5,390	6,730	8,486	+1,340 (+41.9)	+1,756 (+45.1)
(i) Agriculture	2,163	2,767	3,573	+ 604 (+18.9)	+ 806 (+20.7)
(ii) Small-Scale Industries	2,177	2,635	3,230	+ 458 (+14.3)	+ 595 (+15.3)
(iii) Other Priority Sectors	1,050	1,328	1,683	+ 278 (+ 8.7)	+ 355 (+ 9.1)
(b) Industry (Medium & Large)	7,173	8,269	9,984	+1,096 (+34.3)	+1,715 (+44.1)
(c) Wholesale Trade	1,567	1,915	1,994	+ 348 (+10.9)	+ 79 (+ 2.0)
(i) Cotton Corporation of India	181	229	260	+ 48 (+ 1.5)	+ 31 (+ 0.8)
(ii) Food Corporation of India (Fertiliser)	208	210	242	+ 2 (+ 0.1)	+ 32 (+ 0.8)
(iii) Jute Corporation of India	28	56	79	+ 28 (+ 0.9)	— 23 (— 0.6)
(iv) Others	1,150	1,420	1,413	+ 270 (+ 8.5)	— 7 (— 0.2)
(d) Other Sectors	1,807	2,221	2,566	+ 414 (+13.0)	+ 345 (+ 8.9)
III. Non-Food Gross Bank Credit (a+b+c+d)	15,937	19,135	23,030	+3,198 (+100.0)	+3,895 (+100.0)
Of which :					
Export Credit	1,500	1,640	1,650	+ 140	+ 10
IV. Gross Bank Credit (I+III)	18,147	21,235	24,789	+3,028	+3,554

Note : 1. **Data relate to major banks which account** for about 95 per cent of gross bank credit. Further, these data besides **taking into account the bills rediscounted** with the RBI, include bills rediscounted with the IDBI and other approved **institutions and Participation Certificates.** 2. Figures in brackets are proportions to non-food incremental credit.

@ **Provisional**

Source : Credit Planning Cell, RBI.



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1981. The emphasis in tthe branch licensing policy formulated in September, 1978 was on the expansion of banking facilities in deficit areas i.e. areas with population per bank office higher than the national average of 20,000 as at the end of June, 1978. It also sought to reduce inter-State and inter-district disparities. Between January 1, 1979 and June 30, 1981, 8,990 authorisations were given. Of these, 64 per cent were for the opening of branches in under-banked areas like Assam, Uttar Pradesh, Bihar, Madhya Pradesh, Orissa, Rajasthan and West Bengal. During the calender year 1980 commercial banks opened 3,033 offices as compared to 2,058 in the previous year. The national average per bank office stood at 19,000 at the end of June, 1981. Of the 3,291 new offices opened during 1980-81, 2,461 (nearly 75 per cent) were in unbanked centres. Given the various limitations that characterise opening up of new branches, particularly in unbanked areas, this is good going and the momentum should be continued. The present branch licensing policy will come to an end in December, 1981. A new branch licensing policy covering the period January 1981-March 1985 is being finalised. Priority is likely to be given to RRB's for opening branches in districts where they have been set up or are proposed to be set up.

TABLE V

Performance of Regional Rural Banks

State	Number (June-end 1980)		Number of accounts (June end 1977)	Deposits (June-end 1977)	Loans advanced (as on August 26,1977)
	Banks	Branches		Rs lakhs	
Andhra Pradesh	4	265	71,054	269.55	567.95
Assam	1	42	5,785	11.73	12.15
Bihar	14	448	22,441	94.89	109.16
Gujarat	2	39	..	..	..
Haryana	2	76	30,720	64.00	138.51
Himachal Pradesh	1	27	5,065	9.74	6.02
Jammu & Kashmir	2	54	5,427	30.24	16.11
Karnataka	4	211	53,413	103.23	404.19
Kerala	2	150	22,911	40.56	117.32
Madhya Pradesh	9	203	26,010	64.34	154.71
Maharashtra	1	70	6,372	20.56	47.23
Orissa	6	186	30,778	104.65	187.20
Rajasthan	4	208	23.310	115.40	187.64
Tamil Nadu	1	75	2,082	14.11	28.19
Tripura	1	30	3,251	16.43	22.74
Uttar Pradesh	15	447	101,709	518.94	503.71
West Bengal	4	147	15,315	87.59	241.63
All States	73†	2,678	425,643	1,565.96††	2,744.46††

Notes : †By the end of March 1981 the number of banks increased to 100 covering 163 districts. By the end of the Sixth Plan period (1984-85) another 70 RRBs would be established. ††At the end of June 1980 the deposits amounted to Rs 162.23 crores and advances Rs 189.22 crores.

(..) Not available.

This enormous number of branches brings to fore the related question of productivity in banks. The Reserve Bank of India admits that there has been a deterioration in the quality of service and the area of productivity. Since the output of a bank is not easily identifiable it is not easy to formulate clear-cut criteria to judge the efficiency or productivity of banks. Nevertheless, such indicators as there are point to a situation that has worsened. These indicators include the widening time lag in the collection of outstanding instruments, delays in the processing of loan applications, unwarranted communication gaps within individual banks and slow and inadequate flow of data between them. The Reserve Bank also laments the weakening of the internal management and control within banking system. Such weakening is evidenced in the lags of posting of books of account, balancing of ledgers inter-branch reconciliation etc.

A major factor which has led to this is the indiscipline among the employees. For example, the bankmen's unions can often hold the management to ransom by simply working slow or doing things wrongly. When the magnitude of transactions is so large, delays and deliberate errors tend to snowball with all the concomitant ill-effects. An answer to this kind of inefficiency lies in going in for computers for routine work. This, however, is resisted strongly by the unions who fear that this will lead to a reduction in jobs. The time has perhaps come when the Government should take a firm stand and show the employees of banks who the real boss is. In the short run this is likely to have a disruptive effect but the long-term gains from this clearly outweigh the costs.

So far so good. But no evaluation of a commercial activity is complete until the bottom line is written out. In 1980 the banks earned profits of Rs 52 crores after providing for taxation and bonus/ex-gratia payment to the staff. This represents a deceleration in the growth rate of profits i.e. from 21.7 per cent in 1979 to 20 per cent in 1980. The total earnings of the banks increased by R 871 crores compared with an increase of Rs 639 crores in the previous year. The interest and discount earned rose by Rs 799 crores as against Rs 578 crores in the previous year. The increase in expenditure during 1980 was Rs 862 crores against Rs 631 crores in the previous year. Interest paid during 1980 was Rs 610 crores against Rs 417 crores in 1979. This was due to the 1979 hike in interest rates on deposits.

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Promoting Small-scale Industries

S. P. Ghosh

IN A developing country like India, where unemployment and underemployment are acute, small scale industries have a prominent role to play. These industries not only provide employment opportunities with the relatively small capital investment, but are also a subsidiary source of income to many others in the community. The main advantage is that these units help to utilise local tools and local resources in an abundant measure.

Banks have played a great role in promoting small scale industries. Loans to small scale industries are treated under priority basis. Banks provide the working capital requirements of small scale units in a big way to cover various stages of production from the purchase of raw materials to the actual realisation of sale proceeds of finished goods. Besides this, banks also provide remittance facilities, guaranteeing purchase on supply of trade and supply bills. Short and medium term credits are also provided for facilitating exports in this sector.

Prior to nationalisation on July 19, 1969, commercial banks paid little heed to the development of this sector but things have changed after nationalisation. Bank credit to small industries has gone up from Rs 251 crores in June 1963 to Rs 2619 crores by June, 1980. In terms of numbers, the number of small scale units financed by public sector banks increased from 50,850 in June 1969 to 7,00,996 in June, 1980. Not only this but recently a goa l has been set according to which banking system in general and public sector banks in particular have to increase advances to weaker small scale industries with credit limits of Rs 25,000 and below to 12.5 per cent of total advances to small industries by March, 1985.

Despite this, banks are sometimes criticised for not helping the small scale sector. Looking objectively, this is not the case. At the same time, this is not to say that there is no scope for improvement. First, the banks are criticised for the defective formulation of various credit schemes to the small scale sector. It is also complained sometimes that banks charge higher margin and that their lending to the small scale sector is beset with cumbersome procedures, rigid rules, etc. It is said that quite often small scale units have a tendency to turn sick because of inadequate supply of raw materials or their inability to market goods and that banks should help small scale industries in this respect also.

All this background underlines the necessity of the evolution of an integrated approach towards financing small scale industries by banks. The bankers are well aware of this task and recently many steps have been taken in this direction. Some of the banks have recently set up special cells at regional/zonal levels to prepare and execute schemes for credit extension to small scale sector in an integrated manner. These cells also carefully watch and monitor the progress at the branch level. In some cases banks have helped the formation of industrial cooperatives, financed them, consultation and advice made available to them and supervise their operations on a day-to-day basis. The Government and the Reserve Bank of India have adequately helped the process by establishing the Credit Guarantee Corporation for providing suitable guarantee in respect of loans advanced by commercial banks to small scale units.

But there are certain areas where small scale entrepreneurs have to cooperate in the interest of development of their business. Often it is seen that young entrepreneurs begin with a zeal but are unable to sustain it once the teething troubles appear. Moreover, they do not strictly observe the norms of financial discipline which the bankers require.

Financial discipline has to be enforced not only on large industries but also on small borrowers. Correct appraisal of the credit needs of the small scale sector is as important as that of the large sector even though in the past small sector suffered from paucity of institutional credit. In fact the very process of bringing the unorganised sector within the fold of commercial banking involves some kind of financial discipline. Insistance by banks on proper methods of accounting would itself considerably tone up the financial affairs of these units. The timely credit should increase the production of the borrowing units so that it would be possible for them to repay the loan with interest. Financial discipline is an important perquisite of credit planning and in their new role as instruments of planned economic development commercial banks need to evolve a suitable methodology for correctly assessing the credit needs of all sectors of the economy.

The new responsibilities undertaken by banks will necessitate rational allocation of credit to various sectors and subsectors of the economy. All wasteful use of credit has to stop and a sense of financial discipline should pervade their working. Close scrutiny of loans proposals is necessary to plug the loopholes.

Eighties are certainly going to be a decade of 'Banking for the small scale'. If banking policies are tailored and implemented so as to trigger a movement for all-round economic development in small scale sector, benefitting particularly the weaker and the neglected sectors of society, foundations for the beginning of a new era of prosperity for the masses through the medium of banking innovations might well have been laid.

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International Banks and Host Economies

"A TRULY international bank has two concentric circles," Constant van Vlierden, a bank of America Executive Vice President—now retired—once said. "The inner ring is a network of overseas branches in the money-trading centres of the major capital markets. The outer ring is a network of subsidiaries and affiliates through which a wide variety of additional financial services can be offered.

"Such a structure provides the true international bank with unique resources and flexibility. It can look outward from a strong base—such as the United States—to offshore markets. At the same time, it can mobilise funds in all of the other national markets. Thus, by being both inside and outside its own market base, it has the ability to marshal funds with a wide range of maturities in all major traded currencies."

Within these concentric circles, the international bank serves to advance the economic interests of many countries. The article looks briefly at how an international bank fits into a host country's economic life.

History seems to prove that private enterprises competing in the world's open market creates wealth and helps to distribute it more equitably. Nonetheless, critics warn that international banks over-extend world credit, claiming that this could lead to a global recession and financial collapse.

However, this contention has little—if any—basis in reality. Banks do not control the world money supply—Governments do. Banks provide a conduit for the flow of money, and depending on their efficiency can ease the problem of imbalances by channeling funds from countries with surpluses to countries with shortages.

Multinational corporations, including many international banks, have come under public scrutiny in recent years. The argument that multinational companies are beyond the control of Governments, host or home, is sometimes heard. Those who make this allegation seldom acknowledge that multinational companies—especially closely-regulated financial institutions—must and do obey the laws of both home and host countries. The multinational company does business at the pleasure of the Government and in the case of banks, at the pleasure of the central bank of the host country. At the same time, it must satisfy the laws of its home country.

In abiding by local laws, international banks must pay local taxes and, for example, deal with local labour unions. Simultaneously, they have an obligation to protect their large and sometimes vulnerable investments in the host country. As in any private business that is to last, banks must operate at a profit. Profits are essential for their survival - to expand their capital base to allow future growth and stability, to provide funds for future reinvestment and to pay dividends to shareholders who deserve a return on their invested capital. Profits and social values, however, are not incompatible.

Wise international bankers avoid involvement in the politics and internal affairs of host countries. They realise that national political structures are often transitory or subject to change, while national economic structures are more likely to maintain continuity or the status quo.

However, economic status can be upset by political upheaval. Nations that consider foreign capital and investment to be a threat to their sovereignty, for example, sometimes impose restrictive controls and trade barriers. These restrictions are almost never desired by international banks because they impede foreign investment and disrupt international trade.

Seeking good investments outside their home countries, multinationals seek ground rules for foreign investment that are perhaps above all, consistent. If the rules are equitable, fair and stable, and if a reasonable return can be expected, outside investors will seek investment in host countries.

On the other hand, if a poor country is poor mainly because local capital is inadequate to support economic growth and development, that country usually will welcome foreign investment. Thus the healthy self-interests of both investors and host countries are served. If it has the facilities of an international bank or banks, a less developed country has access to an international—often worldwide—capital market that can help provide new industrial, business and export opportunities. The presence of a major international bank or banks in a country can attract other large client companies into the area. Local branches of banks operating worldwide not only attract foreign investments but also help local business people to invest profitably abroad as well as in their own countries.

International banks contribute in a variety of ways to the economic devlopment of the countries in which they are permitted to operate. For example, they:

- Help secure assistance for host countries from international financial institutions;
- Offer rapid funds transfer, market information and sources of credit;
- Offer new and additional career prospects for local nationals;
- Lend to agencies of local Governments for national development;
- Introduce modern financial services and techniques;
- Assist in encouraging local savings; and
- Give access to capital and share in loan participations with local banks.

The world economy has truly become global in dimension and literally demands international cooperation. The future will require increased and untiring cooperation and communication.

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RBI on Credit Deployment

T. T. Vijayaraghavan

In its latest report on Trend and Progress of Banking in India (1980-81) the Reserve Bank of India has made a candid appraisal of the trends in credit depolyment. It points out that in this sphere banks have to go a long way towards meeting the national targets. But it is surprising that RBI, the central monetary authority, with all the weapons of control over the commercial banking system in its armoury, should express its helplessness in reaching the targets.

As regards the broader area of credit planning it has observed that although considerable experience has been gained, much progress needs to be made towards translating macro targets into micro decisions. It has emphasised that in this context the credit budgets of the individual banks assume greater operational significance. Sustained efforts on the part of banks to improve the quality of these budgets is called for so as to enable banks to achieve the longer-term sectoral and sub-sectoral targets, which have been clearly defined without infringing the macro guidelines for regulating total credit expansion. All this calls for greater innovative ability and adaptation of practices, procedures and techniques of lending to the new tasks.

Non-Food Credit

The year 1980-81 (July-June) witnessed unprecedented expansion of non-food credit, which was not commensurate with the overall economic activity. As a matter of fact, the expansion of non-food credit continued unabated throughout the year under review. During the first four months of 1980-81 (July-October, 1980) non-food credit expansion at Rs 1189 crores was larger in both absolute and percentage terms than the expansion of Rs 598 crores during the corresponding period of previous year. The following six months representing this busy season of 1980-81 witnessed an increase of Rs 3152 crores on non-food credit which was substantially larger than the expansion of Rs 2322 crores in the previous season. In the balance two months the expansion in non-food credit was Rs 188 crores thus bringing the aggregate expansion of credit for other than food procurement to Rs 4529 crores as against 2967 crores during the previous year. The aggregate expansion of credit during 1980-81 is lower at Rs 4332 crores due to contraction of food advances by Rs 197 crores (previous year Rs 586 crores).

Major Changes

The Reserve Bank has been announcing major changes in the credit policies for the busy season and the slack season separately although changes are made in between as and when deemed necessary. The efficacy of the policies for the busy season and slack season formulated, is however, questionable. The policies are no doubt announced after taking into account the various macro-economic indicators. But it is doubtful whether they are being interpreted correctly. For instance the report mentions that the busy season policy 1980-81 considered *inter alia* the fact that the expansion of non-food credit during the slack season (May-October 1980) had been by and large in accordance with the broad guidelines issued by RBI. It may be mentioned that RBI had directed the banks to contain non-food credit expansion during the slack season of 1980 within the limits of their own resources. Expansion of non-food credit during the slack season was of the order of Rs 1236 crores.

From the report, it is not possible to discern the incremental deposits during that period. However, one can draw the inference from the Reserve Bank's observation that the deposit accretion during the period July-September, 1980 amounted to Rs 993 crores which was lower than the accretion of Rs 1115 crores in the same period of the previous year. The Reserve Bank has further observed that the deposit accretion picked up somewhat from October, 1980. These remarks lead to the inference that it would not have been possible for the banks to curtail the non-food credit expansion of Rs 1236 crores within their lendable resources. If this analysis is correct how is that RBI had formulated the busy season policy on the premise that the banks had by and large conformed to the slack season policies? It is obvious that lack of proper interpretation and consequent change in monetary policies would affect credit planning of the banks since the avenues for refinance are curtailed resulting in avoidable liquidity constraints of the banks even during the slack season, a period when banks are supposed to have sufficient lendable resources.

Major Constituents

There are two major constituents in the areas of credit deployment. These are inter-sectoral and inter-area deployment. As regards the former, RBI had stipulated that the banks should lend atleast 40 per cent of the credit to priority sectors by 1985 (as against the target of 33.3 per cent set for March 1979). It has further been stipulated that in achieving the target of 40 per cent of the total lending to priority sector by 1985, the advances to agriculture should constitute at least 60 per cent. The advances to priority sector at the end of March, 1981 at 33.6 per cent of the total credit was only marginally higher than the target of 33.3 per cent set for

March, 1979 and is well below the stipulated target of 40 per cent to be reached by 1985.

As regards the inter-area deployment of credit, the Reserve Bank had stipulated that the public sector banks should achieve a credit-deposit ratio of atleast 60 per cent for rural and semi urban branches. Though this was a national target, banks were asked to ensure against wide disparities in the ratio between different States and regions. For the banking system as a whole, the all-India credit-deposit ratio for rural and semi urban branches were 57.2 per cent and 48.9 per cent respectively, well below the target of 60 per cent proposed to be achieved two years earlier. Surprisingly, the performance of private sector banks was better than the public sector banks in this regard. At the all-India level the credit-deposit ratio of rural and semi-urban offices of private sector banks were 79.1 per cent and 48.9 per cent respectively as against 54.8 per cent and 48.9 per cent respectively for public sector banks. Does it indicate that the public sector banks serve as conduits for transfer of rural resources for urban deployment?

Yet another striking feature is inter-regional disparities in the credit-deposit ratio. As against the all-India credit deposit ratio of 67.2 per cent as on the last Friday of June, 1980, the Southern, Northern and the Western regions reported credit-deposit ratios exceeding the all-India level at 78.5 per cent, 75.3 per cent and 68.4 per cent respectively. Against this, the Central, North-Eastern region and Eastern regions had credit-deposit ratios at 49.2 per cent, 49.2 per cent and 55.5 per cent respectively, well below the national average. This inter-regional disparities calls for stricter implementation of established targets by the Reserve Bank of India. In the area of credit planning, considerable progress has to be made. Banks alone cannot be held responsible for improper credit planning. Credit planning by banks has to take into account two factors, (i) monetary and credit policies of the Reserve Bank, and (ii) demand on bank resources by borrowers. In practice, it is almost impossible for banks to forecast these factors well in advance so as to ensure a reasonable level of credit planning. Frequent changes in the monetary policies of the Reserve Bank certainly have an impact on the lendable resources of commercial banks. For instance an increase in the statutory liquidity ratio or cash reserve ratio even by one per cent immobilises yearly Rs 400 crores of lendable resources of the banking system.

At the beginning of May 1980, RBI announced the policy for slack season which did not qualitatively affect the resources position of the banks. But in July 1980, the interest rate on stand-by facility was raised from nine per cent to 11 per cent as also the rate on rediscounting of bills from nine to 11 per cent for the first tranche; subsequent tranches were to carry higher rates of interest. The refinance under small farmers' window and import of capital goods was also discontinued. Yet another facility, namely, refinance against shopping loans was discontinued on reaching the initial allocation of Rs 500 crores. This type of intra-season changes leads to variations in the credit planning programme of the banks due to factors beyond the control of the banks.

Added to that is the style of lending of the banking system itself. It makes credit planning of the banks nearly an impossible task. It is common knowledge that the system of cash credit lending leaves practically no room for credit planning by banks. Over the years a lot of discussion had taken place over the efficacy of the continuation of the cash credit system. A solution has still evaded. But what is more intriguing is the unwillingness of the monetary and credit authorities to plug certain loopholes in the cash credit system.

The Chore working group, which recently reviewed the cash credit system, did not come out with any far-reaching suggestions. But it had recommended that the borrower should inform the quarterly borrowal programmes. Even this recommendation has not been accepted by RBI. The working group also suggested the revival with certain modifications of levying some penalty by way of commitment charges for non-withdrawal or partial withdrawal of the limits sanctioned. This has also not been accepted by RBI. All this would show what an uphill task the commercial banks have in practising viable credit planning.

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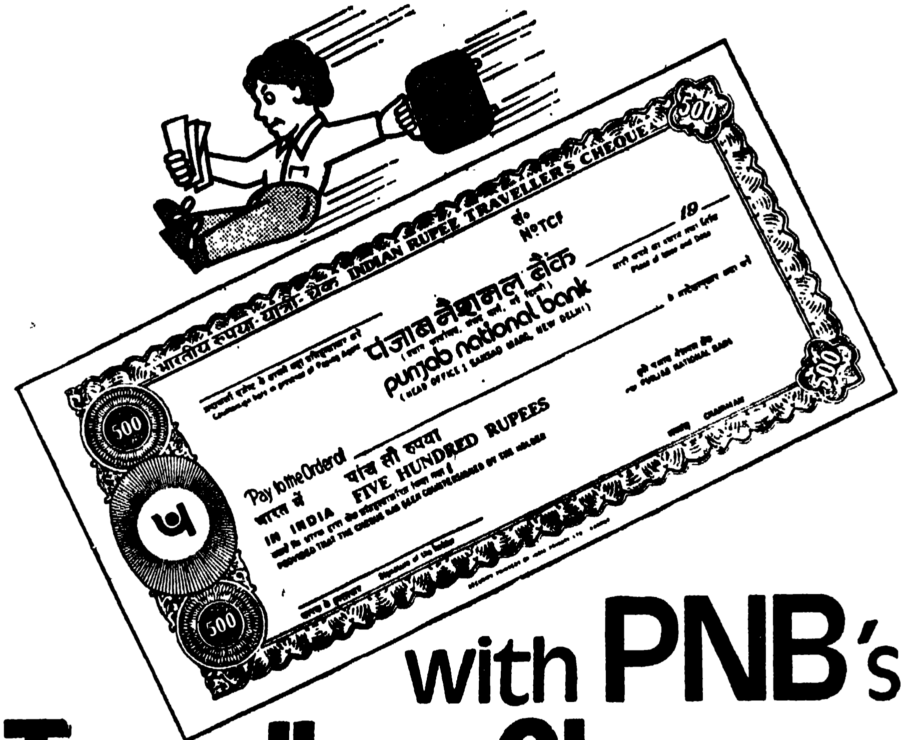

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Man Management in Banks : Tasks Ahead

K. K. Ammannaya

THE BANKING industry is getting increasingly bureaucratised in recent days. The quality of customer service is also getting constantly deteriorated. There has been an upward trend in overtime payments for which there is no justification. We also find that there is heart-burning among all sections of employees, especially officers because of the anomalies that have crept in pay scales, grades and scales, etc., and the absence of objective system of promotions. Quite a lot of anomalies between various categories of employees in respect of their grades and scales, emoluments, etc., have been allowed to creep in. The Pillai Committee Recommendations and the third Bipartite Settlement have pushsed up the wage bills in the banking sector. In spite of the increased emoluments, there has been widespread frustration among the employees. The High Courts in various States are flooded with writ petitions by aggrieved employees. In the context of present day banking, what is therefore vital is good man management.

Human Aspect

Man Management is only one of the aspects of overall management. It is that field of management which has to do with planning, organising and controlling varioues operative activities by procuring, developing, maintaining and utilising human resources in order that the objectives and interests for which the organisation is functioning are achieved as effectively and economically as possible and the objectives and interests of the people working in the organisation are served to the highest degree. Managing men is that part of the function of management which is primarily concerned with the human relationship within the organisation.

There should be a new approach in managing men which calls for humanisation in the organisation. There should be efforts to make the organisation more human and the adverse effects of increasing alienation should be reduced through a process of deliberate humanisation. An important index of humanness of organisational practices is the reasonableness and fairness of the policies. Because the assumption is that man is a rational animal and human policies merely mean rational policies.

Reasonableness and fairness are the key requirements of rationality. In such cases, the fact of fairness is less important than the perception of fairness. It is not enough that an organisation's policies are fair. It is also necessary that they are seen throughout the organisation as fair. This means laying down all policies on an objective basis, on the basis of well accepted principles of professional management, on the basis of agreed and shared data and with the help of well laid down norms. Such approach is necessary in the area of managing people. Managing men requires such an approach because here men are managed by men and hence reaction on the part of men who are managed by some other men is but natural.

Man management should be undertaken in such a way as to ensure that the men who are managed are satisfied in the process of management. The market analysis is not fully applicable to labour, in the sense, it is applicable to land and capital because labour is living and has consciousness. Alfred Marshal, an eminent economist has mentioned:

"It matters nothing to the seller of bricks whether they are used in constructing a palace or sewer, but it matters a great deal to the seller of labour...... whether or not the place in which it is to be done is a wholesome and pleasant one and whether or not his associates will be such as he cares to have."

Management of men is a very delicate area and hence man management has to be undertaken intelligently so that it contributes to the organisational productivity.

Lack of Motivation

When we come across agitation, strikes, etc., we tend to conclude that people have an inherent dislike for work and that they try to shirk work. Fundamentally, no individual is a shirker or lazy. A large number of people work hard in their respective areas. In banks too there are a good number of workers who derive satisfaction and motivation from the work itself. In analysing the problem, we have to look into the factors which are going to affect motivation. Such factors are :

(1) *Environmental Factors* : These include rural/urban background, level of literacy, etc. People belonging to rural areas differ from urban people and also illiterates are different from literate people.

(2) *Psychological Factors* : These include individual needs, goals and aspirations of the individuals, aptitude and personality traits. These factors are also important.

(3) *Structutral Factors*: Such as design of the job, organisational process like decision making, participative approach, scope for participation in various functions including vital functions of planning etc.

(4) *Organisational Culture* : This includes corporate beliefs, goals of the organisation, norms, etc. Each organisation has its own culture.

Fundamentally every employee seeks a

challenge in his work. Employees whose jobs provide adequate scope for facing challenge are more satisfied and they find something new and there is scope for them to make contribution in the process of meeting the challenge. Such individuals are more satisfied than those who do not have such challenging jobs. There is also evidence to suggest that in organisations where ths corporate policies are fair and just, the employees are generally more satisfied. This suggests that employees prefer to be covered by policies that are objective and rational as well as fair and just. Where such policies do not exist. employees feel dissatisfied.

The methods used in the past to motivate and enthuse the workers were confined to the economic incentives, security of employment and welfare measures. These are no doubt important and employees do respond positively to such measures. But it is not possible to obtain lasting or optimum results through these measures. Also it is not possible to employ such meatures in banking industry because of the standardisation of service conditions and the restriction on giving benefits beyond what are prescribed. We have to appreciate that an employee is not only the "economic man", but also a "Social man" and "psychological man". That is what makes the human resource more complex and unpredictable when compared to other resource at the disposal of the management. This does not mean that human beings are unmanageable. It only calls for a new approach to man management Once this truism is accepted and reflected in the policies of the organisation, other changes are relatively easy to bring about. Another important step calls for having a more comprehensive view of the human nature. Man is not just a biological animal. But he is also a social and psychological being. Since man does not live by bread alone, besides economic incentives and welfare measures, the managements must cater to various social and psychological needs of the employee, so that he finds his work experience meaningful and rewarding. Then only we can expect an employee to give of his best. Herein comes the role of good man management.

Man management should be such as to ensure that the personnel working in an organisation also achieve their personal goals and interests while making the contribution to the achievement of the organisational goals. Along with the growth of the organisation, the opportunities available for the employees working within would increase It is, therefore, clear that growth would bring about increased opportunities for the employees. For instance, if a bank opens 200 more branches, there will be chances for 200 officers to occupy positions as Managers As a result of 200 officers becoming Branch Managers, there will arise vacancies for other officers which may have to be filled up through internal promotions. thereby giving opportunities for the clerical staff to become officers. Also, as a result of the growth of deposits, advances

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Security is a warm feeling

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and aggregate business, the workload will increase which will in turn bring about more opportunities for the employees. It is essentially a managerial responsibility to see that there is optimum staffing and the possibilities of under-staffing and overstaffing are eliminated in the interests of employee development, employee productivity and organisational interest. While shortage of staff results in inefficiency, overstaffing will bring about inefficiency through its demoralising effects and the removal of challenges involved in work so necessary for job satisfaction. Hence, the accent in managing men should be on optimum staff.

Important Tenet

The people charged with the responsibility of managing men should also make constant efforts at improving their knowledge regarding various aspects of banking and service conditions relating to employees. Armed with such knowledge, it will be possible for them to give a proper lead to their colleagues and administer service conditions to them correctly and in terms of the spirit of the provisions. Only a leader who is knowledgeable will command respect and recognition and this is particularly so in the area of man management. The most important tenet of man management is that we should give opportunities to people working with us, so that they will be satisfied workers. Involved people are the most satisfied and motivated people. With a view to enabling the employees to achieve their personal goals it is necessary to provide them opportunities. One of the ways in which we may provide such opportunities is to give them a chance to work in various areas of branch activities. If a man is confined to a particular table or area of work, we shall be restricting his progress, which is not desirable in the interests of his development. It is essential to rotate the employees as between various jobs, so that they may widen their perspective and knowledge and become more dynamic. The employees should be given all possible opportunities for exposure to various aspects of branch functions including planning and developmental functions in the interests of their individual development which forms an indispensable basis for their career progression.

Essentially, therefore, man management involves man development. Only a successful man will be motivated man who will give of his best for the progress of the organisation. In other words, only a man who is provided opportunities will be more enthusiastic in making contribution to the organisation. The efforts should be to develop the people in such a way that they become challenge seekers. Normally, banking functions being what they are, are bound to give lot of boredom to the employees. Unless they are periodically rotated as between various jobs, they are bound to get bored and ultimately frustrated. Only a man who is given opportunities to learn and work in various areas will become a challenge seeker and will evince interest in learning and progressing.

Active Involvement

If organisational productivity is to be increased and maintained at a high level, the people comprising the organisation from the broadest to the narrowest level have to be intellectually and physically involved with and integrated into the organisational goals, activities and achievements. There must be harmony of interests. There must be pervasive confidence that the goal, plan or task is in the optimal interest of all the staff members individually and collectively, and of the organisation as a whole. The performance budgeting system is a system which if properly and effectively operated would bring about the growth of the organisation alongside the growth of the individual employees who comprise the organisation. This is because the process of participation envisaged in the budgetary process will expose each individual member to various challenges involved in budget formulation and implementation and will help get insight into the techniques of planning and plan implementation. Such an exposure is essential for the growth of a man and it will help widen his overall perspective. Only such an exposure will help the individual in developing himself and increasing his ability and competence. This in turn will be the basis for his career progression and professional advance. The performance budgeting system is an instrument for achieving the growth of the organisation as well as the development of individual employees, simultaneously ensuring that the organisation also makes its contribution to the growth of the national economy. Therefore, there should be steps to involve all the members of staff at all levels in the exercise.

Effective Management

Management is a responsibility not only of the Personnel Departments in banks, but also of all the functionaries in the bank. It is the function of each functionary to see that the man managing function is discharged effectively and on proper lines at all levels within his jurisdiction. It will be an important responsibility to see that branches and offices undertake the function on prescribed lines, thereby contributing to the growth of individual employee along-side the growth of the organisntion. This responsibility also covers the maintenance of the required measure of discipline at all levels within their jurisdiction.

The man managing responsibility also consists in utilising the strengths available in employees rather than trying to shift them from one office to another. An employee who is bad in internal procedures will be excellent in public relations. Similarly, an employee who is very good in correspondence may be bad in arithmetical calculations. Therefore, depending upon the strength of individual employees we should make use of their services. Herein lies the responsibility of man managing function. All the employees should be treated alike and favours and preferential treatment to some people is not desirable.

These days graduates enter the bank with lot of expectations. At the time of joining, they may not be having any idea or perspective regarding banking. It is necessary that they should be adequately oriented when they are fresh and they should be given opportunities to learn the work in various areas of banking activities. Therefore, new entrants who are having lot of ambitions will be more receptive and more enthusiastic in learning and progressing. Unless they are adequately trained and oriented and a sense of belonging is developed in them, it may be difficult to get them motivated after they work for some years. The Staff Training Colleges during the course of orientation training will provide the new entrants only the conceptual knowledge and education in the principles of banking. The actual orientation should take place on the job, i.e., during the course of their work in their branches and offices. This is an area where the man management function has to be effective.

Since monetary incentives cannot be given to employees at present, we have to find out alternative ways of inducing motivation. The only way open to the banks is to bring about participation through motivation. Good work done by an employee whatever be his position should be promptly recognised by the highest authorities. He should be given a pat on the back. He should be told that he has done a good thing in public. If an employee does something bad, he should be privately told that he has done something bad and he should be suitably advised. This is the principle involved in modern man management. The employees may be made to participate not only in routine banking operations which may not give them the required challenge and job satisfaction, but also in vital function such as planning, plan implementation, customer-service, etc. In addition to developing an employee, attention should be paid to developing groups of individuals such as committees say customer service committee, teams, task force, etc. Development of such groups should be from the point of view of increasing collaboration amongst people working in the organisation and increasing their effectiveness for decision making.

Finally different departments and offices and the bank as a whole also should be covered by development. This development would involve developing a climate which is conducive for the effectiveness, developing his renewing capability in the organisation. Such a concept of development will focus on the different units in the organisation for different purposes. The individual employee and his role are important in the organisation. Also the roles of departments, units, groups, etc are important. The concept of development should cover both the aspects. Development in this sense becomes an effort which has analysing role, involving key performance areas, critical, attributes and job evaluation,

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matching the role and person, covering selection and recruitment, placements, promotions, etc, developing the person in the role which includes performance appraisal, feed back and counselling, potential appraisal, career development and career planning, and training, developing the role for the person covering job rotation, job enrichment, job design on role effectiveness, developing equitability including wage administration and amenities, management of incentives and rewards, standardising and administering rules. These areas are also of crucial importance from the point of view of man management.

Sharing Information

The system of sharing information which has its own motivational overtones should percolate to the grass root levels of branches. Each level in the organisation should have a system of sharing information through the publication of circulars and bulletins and other periodicals. Nothing should be kept back from the employees. If there is a tendency to keep everything secret, then there will be an atmosphere of suspicion. Such suspicion on the part of employees will be acting as a constraint to good management. Therefore, there should be an open system wherein the information can be shared freely as a resource so that nobody can have recourse to rumours or false news. This system can be built up from the grass root level of branches, so that there is credibility at all levels. All the functionaries in banking institutions should address themselves to the task of building up such a system.

Planning is of crucial importance in the area of man management as well. There should be a plan for manpower requirements as a part of the performance budgeting exercise. The corporate planning exercise at the head office level should cover manpower requirements and assessment of staff requirements at branch level should be through the performance budgeting exercise. A firm linkage should be established between output plan and input plan, including manpower plan in the performance budgeting exercise. Unless such linkage is established it is not possible to achieve the objectives of controlling costs, providing challenge through work to employees, and increasing productivity through motivation and also for eliminating overtime payments.

Input-Output Linkage

A bank should be in a position to know in advance at what cost it is going to achieve the various physical targets embodied in the performance budget. Hence the importance of the linkage between inputs and outputs in the performance budgeting exercise.

As a part of the planning process, these should also be action plans in respect of establishment charges and staff costs, institutional training and external training and the cost thereof, transfers and placements, job rotation, productivity, increase, etc. Unless there are plans in respect of these aspects, it is not possible to achieve definite results from time to time, thereby providing a support to the organisational effort in the matter of achieving corporate goals and objectives. Man management is becoming costlier and costlier in the absence of a planned approach. For example, frequent unplanned transfers result in avoidable expenses by way of travelling apart from creating problems and hardships to the people transferred. An employee with such problems and hardships becomes less efficient also. Therefore, there should be transfer planning based on a well-laid down comprehensive transfer policy. Transfer policy and transfer plan should be such as to facilitate the achievement of the performance budget.

It is the responsibility of the man managing function to see that through such a plan of action optimum staffing is ensured thereby eliminating overstaffing and its demoralising effects and also there is improved work organisation providing challenges for employees, proper work distribution, rotation of work, job enrichment schemes, etc. Also the plan should provide for creation of necessary opportunities for employees to learn various aspects of work and to develop themselves through training and other schemes. Therefore, the challenge for man managers lies in linking all their activities through plans and budgets to the performance budgeting exercise. Only by establishing such a unity of purpose as between various functionaries including man managers the objectives which a bank has set before itself can be achieved and organisational productivity can be increased. Man managers should be planners too.

Collective Responsibility

Man management on the lines indicated here has to be the collective responsibility of all the functionaries in bank and it may not be left to the Personnel Departments alone. Personnel function is a function which has to be undertaken at every level in the bank. Each office is expected to do some personnel work. Therefore, it is necessary that all the officials handling the personnel functions should address themselves to the task of developing people and efficient man management, so that the bank may grow and the employees may also grow simultaneously and the bank is in a position to make the contribution expected of it to the growth of the national economy. The man managing functionaries should constantly appreciate that only involved people are motivated people. All the individual employees require involvement and they seek involvement.

Once the involvement sought by them is there, they will automatically get motivated and once they get motivated, they become committed and onl if such involvement and commitmen on the part of entire personnel is ther in a bank, man managing function can b said to have been undertaken efficientl and on sound lines. If this happens, productivity will automatically increase an banks would definitely earn more profit inspite of their responsibilities in the are of fulfilling social obligations and th expectations of the society at large.

Window on the World

Interest-Push Inflation

Sudhir Sen
New York

THE MOST conspicuous achievement of the Reagan administration in its first ten months has also been a most dubious one: It has ushered in a bizarre era of suffocatingly high interest rates. The high rates have damaged several key sectors of the domestic economy; they have compelled other industrial nations to tighten money excessively, thereby driving up their own rates and forcing them to dampen their economic growth; they have dealt fresh blows to the already-shaky economies of the developing nations. And here is the ultimate irony: they were supposed to kill inflation; instead, they have given a most powerful impetus to it.

With luck and pluck, Mr Reagan did manage to cool inflation. Bumper harvest and abundant grain supply kept a lid on food prices. His decision to hasten, by some eight months, the decontrol of oil which was already under way, augmented the oil glut on the world market; the weakening oil price has been a major factor in lowering the rate of inflation. But the gain on the energy front has been more than offset by the leap in interest rates. For the time being at least, the energy-push inflation has subsided; its place has been taken by interest-push inflation.

Pervasive Influence

This is not surprising. In a highly leveraged economy like that of the USA credit as an item of cost has an even more pervasive influence than energy. It affects virtually all economic activities as it enters all stages of production, distribution and consumption of goods and a whole gamut of services. Had the prime rate, which is allowed to the most creditworthy corporate customers; been at a single-digit level instead of hovering around 20 per cent most of the time, the inflation rate might well have been lowered by several percentage points—to, say, 6 to 7 per cent rather than 9 to 10 per cent.

The objective of Mr Reagan's economic recovery plan, as trumpeted for months, is to conquer stagflation, but victory is nowhere in sight. On the contrary, to the twin afflictions of stagnation and inflation that have plagued the US economy since the early Seventies, he has, in effect, added astronomic interest rates as a third one. This unholy trinity now holds it to ransom and acts as a brake on the world economy. Its iron grip cannot be broken without some radical shifts in policy, but of this there is not the slightest hint so far.

Post-war Odyssey

It is interesting to look back and see how interest rates have evolved over the last two decades, how in particular the tempo of their ascent has accelerated in the last two years. This is well illustrated by what the financial weekly *Barron's* in a recent issue called the "post-war odyssey" of the American Telephone & Telegraph Company. It put together some telling figures reviewing how the triple-A rated (that is, the highest quality) long-term bonds of the Bell Telephone Company, the right arm of the giant A.T. & T., has climbed in successive stages.

The odyssey began on October 20, 1959 when the Southern Bell Tel sold bonds at what was then hailed as a sensational yield of 5.35 per cent. This was the first time in decades that a large, triple-A rated long-term Bell issue had broken the yield barrier of five per cent.

It took almost eight years before the six per cent hurdle was scaled—with a 22-year issue of the Illinois Bell Telephone Company marketed on June 27, 1967. Bullish brokers urged their clients to rush; the six per cent yield would not last, they predicted. They were right ! In 1969, successive telephone issues cleared seven, eight and nine per cent. Ten per cent, which had "loomed like Mt. Everest", was conquered on August 27, 1974 by Northwestern Bell Tel.

Four years passed before Mountain Bell reached 11 per cent, in 1979, but 12 per cent and 13 per cent were topped quickly—in February and April, 1980. Then, in December came 14 per cent; each new record was greeted with amazement, yet new ones followed on short order—15 per cent on April 20, 16 per cent on July 28, and 17 per cent (to be exact, 17.10%) on September 1. That is the level of yield new Bell issues now hover around.

Needless to say that as new yields soared, the old issues tumbled in price. The Illinois Bell, six per cent of 1998 mentioned above, is now worth around 45, for a loss of 55 per cent in face value. The Northwestern Bell Tel 10 per cent of 2014 are quoted at 61-55, or at a discount of more than one-third of its redemption price.

Lofty Yields

With such lofty yields available from the highest-grade bonds it is only natural that the lower-rated issues should give returns that are several percentage points higher; B-rated bonds may yield as much as 19 per cent or 20 per cent, at times even higher. Of more immediate concern is the fact that even the Treasury has been paying 15 per cent to 16 per cent on its three-month bills, Longer-term bonds and notes it sells carry coupons yielding 14 per cent to 15 per cent. A decade ago their normal yield was four per cent to five per cent. Incidentallly, at the present rate of yield investors in Treasury issues can double their capital in less than five years. In more normal times such doubling would have taken at least 15 years, quite often even longer.

The Federal funds rate—that is, the rate for surplus funds with the Fed that its member-banks lend each other, mostly overnight—used to be around 4 to 5 per cent in normal times: and it served as the bench-mark for other rates which derived from it. And so the prime rate at the recession trough, in 1974-75 for example, was no higher than 5 to 6 per cent.

In October, 1979 the Fed took a giant stride towards embracing monetarism; as a result, it shifted its focus to the money supply, and unpegged the Federal funds rate which was allowed to find its own level. Since then wild gyrations of interest rates have become the order of the day. The free-floating prime rate surged to a record high of 20 per cent which it reached in spring 1980, then it dipped to reach 10.5 per cent by late fall, but only to surge back to a new peak of 21.4 per cent it reached in December last. Since then it has remained in that area most of the time, except that in early spring it shed 2 to 2.5 percentage points generating the hope, that the rates at last would slide to a more tolerable level. That hope was dashed; the prime went back to 20 per cent, and only in late September-early October it has lost some altitude. But it is still staying aloft, around 18 to 18.5 per cent level.

Tight Money Supply

The Fed, worried about inflation and hawkishly monitored by some monetarists entrenched within the administration, has kept the money supply tight, driving up the interest rates; and the high rates, in their turn, are driving up the budget deficits. The Federal budget for fiscal 1982 ending September 30 had projected a deficit of $42.5 billion; the administration now puts it at $59 billion, though it is widely assumed, even by some Reaganites, that the actual figure may be $80 billion or more. The projections for 1983 and 1984 are still more scary. The deficits, even according to sober forecasters, may hit the $100 billion mark for each year, setting an all-time record in the US history. They also pose an excruciating dilemma for Mr Reagan. A campaign promise he had solemnly made was to balance the budget by 1984; and more recently, he has recommitted himself to that goal.

Ironically, at the root of Mr Reagan's dilemma are the interest rates. The havoc they have been playing with his budget can be judged from the simple fact that a single percentage point rise in the interest paid by the Treasury on its borrowings adds $3 billion to $4-billion to the overall deficit. If, for example, its borrowing costs were 10-11 per cent, which, by historical standards, would still be very high rates, the 1982 deficit could have been held comfortably within the projected estimate of $42.5 billion. But because its actual costs are about 50 per cent higher, it is now frantically trying to narrow the gap by further cuts in spending or raising more revenues by indirect means, or by a combination of both.

Gargantuan Debt

The national debt ceiling was recently raised for the umpteenth time; and the total debt has just crossed the $1-trillion (i.e. $1,000-billion) mark. The huge cost involved in servicing this gargantuan debt is not hard to imagine. The Treasury comes to the market every now and then, and siphons away billions of dollars to refinance old debt as well as to raise new cash. Weekly borrowings of $8-billion to $9-billion are no longer uncommon. In the current quarter, the Treasury will have to raise from $35-billion to $40-billion *as new cash.* This avalanche of borrowings has swamped the financial markets. Bond-holders are scared and demoralised; prospective buyers are standing aside until they have a clearer picture of the trend of interest rates and therefore of the future of bond prices.

How high interest rates create distortions in the economy and feed inflation can be judged from a few simple facts. First, the heavy volume of Treasury offerings are "crowding out" corporate borrowers who are unable to raise the funds they need at rates they can afford. This spells delay in business expansion, in updating plant and equipment, and therefore in raising productivity and lowering unit costs.

Second, even if not crowded out, it would be foolish for businessmen to embark upon capital-intensive risk-ventures when the cost of money is inordinately high; when, moreover, they can simply lend their money to Uncle Sam and earn 15-16 per cent return on their cash flow at no risk whatever. Even the best-managed corporations can seldom earn that much net return on their equity capital. Again, high interest deters investments, constricts the supply of goods and services, and thereby feeds inflationary forces.

A Heavy Burden

Third, high interests have severely damaged the auto, housing, construction and thrift industries; countless small businesses have become casualties; bankruptcies are multiplying. Weighted down by such burdensome rates, the economy is now clearly sliding into a recession; and unemployment is on the rise. A recession affects the budget adversely from both ends: revenues drop while expenditures rise, spurred by unemployment insurance and other social benefits the Government must finance. A one-per cent rise in joblessness, it has been estimated, widens the budget gap by $25 billion. On the other hand, the relief it brings on the inflation front under today's conditions remains minimal.

There is yet another factor which must not be overlooked. Large tax cuts have been allowed to individuals to promote saving and investment. But the public can easily earn 15 per cent or more on their savings by investing them in Treasury bills, money market funds and similar institutions. Spawned by the extraordinarily high levels of interest available on short-term debt instruments, these funds have mushroomed in the last two years and are now attracting huge sums of money from the general public. In January last, their total assets were estimated at $70 billion; today it is around $155 billion. The investors earn $20-25 billion a year just as interest paid by these funds. And added to the stream of consumer purchasing power, this huge amount fuels demand-pull inflation. This, incidentally, is one main reason why the economy could resist the pressure of high interests so long without plunging into a recession.

Some economists, both inside and outside the administration, have tried to downplay the impact of budget deficits on interest rates. The size of the deficit, they argue, should be related to the size of the GNP; and when seen in that perspective, it should not loom so disquieting. This line of reasoning was recently pressed by Paul W. McCracken, Professor of Business Administration at the University of Michigan, and former Chairman of the Council of Economic Advisors under President Nixon. In an article featured in *The Wall Street Journal* (October 22), he argued as follows: "On the average, budget deficits in 1971-80 were equal to 2.1 per cent of GNP, which was about the figure for fiscal 1981. If the same ratio were to hold for fiscal 1981, the deficit would be $65 billion. If the average for the second half of the 1970s were to prevail this year, the deficit would be over $80 billion. And if this ratio were to be equal to the 1975-76 average, the current year's deficit would exceed $110 billion. "Mr McCracken conceded that the present deficit was too large and needed to be worked down. Nonetheless, he qualified this by adding, "but we are hardly looking at a terrifying prospect out of context with history".

Mr McCracken's reasoning suffers from a major flaw. The deficits should be related not to the all-comprenhensive GNP, but to its more limited segment—the pool of available savings. The rate of savings is a more volatile factor; and in the last few years it has sunk to unusually low levels as consumers, faced with double-digit inflation, rushed to buy now rather than put off their purchases to later years.

Savings Decline

The Morgan Guaranty Trust Company, in the October issue of its monthly survey, has dealt with the matter much more cogently. According to the Morgan Bank's estimate, federal deficits during the 1960s averaged less than four per cent of the savings available for investment above what was needed to replace worn-out facilities. In the 1970s. the Government's "garnering of savings" approached 25 per cent. During the past two years the Government "take" rose even higher, averaging 34 per cent. The most recent rise in Government share "resulted from a decline in the over-all pool of national savings" at a time when budget deficits were continuing at high levels. True, saving is expected to increase in 1982, partly because of incentives provided by the tax cut. But the bank believes the rise in savings could be completely absorbed by swollen Government deficits. And it estimates that the Government share of savings could climb close to 40 per cent of the total in 1982. That, warns the bank, would be "a very serious preemption of national saving", and this would be "wholly at odds with the objective of revitalising private capital formation".

Horrendous Rates

How long will the horrendous interest rates last? This is the number one question a great many people are anxiously asking today. The omens, at this moment, are far from encouraging. High interest rates have a tendency to feed on themselves, and this is what has happened over the last one year. In the past, high rates were used as a kind of shock therapy —to brake the momentum of a runaway boom and then, after a pause, to set the stage for a healthy recovery. But this time they have lasted—even been nursed however unwittingly—far too long; some of their victims, like the thrift industry, have been cushioned from the very blow they were supposed to deal; and business has shown enough ingenuity to create their own protective shields, like the floating prime rate for short-term loans, or to capitalise on them by floating money market funds to make the benefits of the fabulously high rates available to small-savers. It was inevitable that, with the passage of time, powerful interests, to put it bluntly and somewhat oddly, should have acquired a strong, vested interest in a regime of today's high interests.

Then, there is the monetarist dogma that supplies a most powerful lever to keep interest rates in the stratosphere. Inflation, at or near double digit level, provides ample reason—or rationalisation —for tight money and high rates. And finally, there is the floating dollar which tends to weaken at the slightest suggestion of lower interest rates. To protect it at an appropriate level while substantially lowering interests would call for concerted action among the major industrial nations. But the Reagan administration's predilection is to act unilaterally.

The recession now developing should bring some lowering of rates. But the respite can only be brief. As soon as the recovery begins, interest rates will begin to surge, may be even to a new record high, especially if the administration switches to a policy of active stimulation with an eye on next year's Congressional elections.

The conclusion that emerges from the foregoing is distressingly clear. The age of sky-high interest rates has come to stay, at least for the foreseeable future. This is a dismal reality with which the outside world, especially the developing countries, must come to terms. The sooner they do so, the better for them—if only to minimise the shock of future disillusionment.

UK Industry's Import Costs Fall

THE RECENT strengthening of sterling against the US dollar resulted in a fall between September and October in the cost of British industry's imported raw materials which, in the longer term, should help to reduce the rate of inflation. According to figures released recently by the Department of Industry, the appreciation of the pound against the dollar was the main reason for a drop of one half per cent in the price index for materials bought by manufacturing industry, other than food, drink and tobacco. The fall would have been even greater but for an increase in the dollar price of crude oil, the full effect of which may not be felt until November. Prices other than for crude oil were unchanged, so that the wider index, for fuel as well as materials, did not move between September and October, all though measured over a twelve-month period it rose marginally, from 17¾ per cent to 18 per cent. This was because last year the index fell between these two months.

It normally takes between two and three months for changes in import costs to feed through into manufacturer's actling prices in the UK market, so that many industries should by the turn of the year be reflecting the one half per cent fall. This relationship between import costs and "factory gate" prices can be seen in the movement of the price index for the home sales of manufactured products. Between September and October the index rose sharply by one per cent, mainly as a result of the weakness of sterling earlier in the year. As in previous months, almost a third of the increase was due to higher prices for petroleum products. The index over the twelve-month period rose from 10½ per cent in September to 11 per cent in October. But the six-monthly movement dropped from five per cent to 4½ per cent.

The changes in industry's costs and prices are of vital importance to economic recovery and they highlight the complicated links between interest rates, the exchange rate and many other factors. High interest rates —such as those now seen in Britain cause problems for industry because they increase the cost of borrowing and tend to depress consumer demand. However, to the extent that high rates strengthen sterling they bring down the cost of imports, lead to lower inflation and should encourage more moderate wage settlements. These gains help to make UK exports more competitive, despite the fact that the stronger exchange rate by itself is an obvious handicap to overseas sales.

West German Unemployment Rate

THE AVERAGE annual rate of unemployment next year will be more than 1 6 million, or seven per cent of the working population, according five leading German economic institutes in their autumn report. In September this year, there were 1.256 million out of work. Naturally, assumptions are open to dispute. For instance it remains to be seen whether the optimistic forecast for most industrial countries will materialise and whether the OPEC countries will desist from new price increases.

The same applies to the question whether our energy supplies will remain reliable or whether they will be affected by new conflicts in the Middle East.

The anticipation of further reductions in the interest rates and the resulting hope of an upswing in the course of next year also seems optimistic. Yet the seven per cent unemployment rate forecast by the institutes is the most favourable of a number of possible rates. One dissenting institute whose past pessimistic forecasts have come closer to reality considers an even higher number of jobless likely.

Budget Review

For the Bonn Government, the latest report means that the already amended basic figures for the 1982 budget will have to be reviewed once more. The Federal deficit, which has been growing from day to day, is likely to be even larger than now assumed because the institutes predict lower tax revenues and greater expenditures for unemployment benefits.

The calculations underlying the 1982 budget might be correct ; but a balanced budget will not cure our sagging economy. It can hardly be the aim of Bonn politicians to make up for the growing drain due to the rising number of unemployed by imposing even new burdens on those who have a job and an income. It is hard to come to terms with an Economic Affairs Minister and a Government who takes the resigned attitude that it is naturally distressing that the economy is limping along and unemployment rising but that there is nothing that can be done about it.

Even the Government's annual economic report for 1981, which was released in January, deplored the increase in unemployment as an inevitable fact of life, In another three months, when the next annual report falls due, the things may be going from bad to worse but that this cannot be helped. The Bundestag MPs (and not only those of the SPD) have been prompted by the Government's lack of success in fighting unemployment to call for action. They fear that growing unemployment will endanger the German social fabric and they must be taken seriously.

It is an intolerable thought that at certain periods next year Germany will be faced with two million people who are out of work. The Federal Governmet responds by pointing to the fact that the situation is even worse elsewhere. But this is not much of a consolation. This sort of attempt at justifying the situation in this country cannot gloss over the fact that Germany has not succeeded in adapting its economic, financial and social structures to the changed circumstances.

The social security system, the demands on the State and the recipes with which to overcome crises functioned well in an economy marked by constant growth. But this economic and social order was unprepared for a situation in which there was no more growth and no additional money to be distributed and in which all further demands had to be met at the expense of others. Even the economic research institutes are at a loss for an answer. They point to the old recipes that generated growth in the past.

But resistance to the recipes of yesterday has increased, and the German have no convincing alternative as to how to carry on without growth.

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Point of View

Public Sector : Plaything of Politicians

Subhash J. Rele

Most of the deficiencies of public sector can be stressed to unscientific management. A manager in the public sector finds himself shackled by uncalled for bureaucractic rules, procedures and precedents, which according to author, leaves him no room to manoeuvre. The recent trend of owing loyalty to politicians than to the organisation has added to the woes of the professional manager, and he has become a pawn in the hands of his political bosses. The author suggests that the managers should start thinking soon in terms of building up a cadre owing loyalty to the organisation.

THE CONCERN over the performance of public sector has become all pervasive. This is understandable taking into account the huge investments made in public sector enterprises. Excepting a few shining examples, the public sector is in a mess. Every now and then, we hear of the impending shake-up in the public sector. The shake-up comes but does not lead to improved performance. We now read reports of the structural changes in the public sector, which we are told, closely follow the measures already taken to improve the performance of the infrastructural units and the changes of the senior Secretaries to the Union Government. We are also informed that the Ministries have been advised to extend prompt assistance to remedy individual problems facing the managers. There was a hope-inducing statement that the Government prefers induction of managers of proven abilities to head as many as 59 vacancies in the public sector. Nobody, however, cares to ponder over the reasons as to why, first of all, such a large number of vacancies have occurred.

Most of the deficiencies of the public sector can be stressed to unscientific management. Most public sector enterprises have not bothered to develop their own managerial cadres. Not much attention has been paid to cadre building, formation of proper service conditions and opportunities for career development. "There is plenty to do but there is no motivation," complained a manager in the Bokaro Steel when I visited the plant recently. Ad hocism, favouritism, pulls and pressures have resulted in adding to the problems of managers of the public sector. Management standards have been invariably low. Appointments are done by two separate agencies. The appointments for senior positions carrying a basic salary of Rs 2,200 and above are done by the Bureau of Public Enterprises. Below this position all appointments are made by individual companies independently.

Humstrung Managers

Impediments to higher managerial performance are many in the public sector. Bureaucracy continues to rule the roost irrespective of the protestations to the contrary. Bureaucrats consider the rule of law as sacrosanct and shy away from departing from the rules, procedures and precedents. This results in complete oblivion of the organisational objectives. Management feels shackled when it has to abide by bureaucratic rules, regulations and directions at every stage. In the private sector, decisions are taken by the Board of Directors—their decisions on policy, long-range planning, corporate strategy, resources mobilisation, products marketing and distribution, etc are final. In the public sector there are more than one layer. The chief executives of the public sector have to depend on New Delhi for major decisions. The style of their functioning gets hamstrung by the need to obtain the approval of the Secretary or Joint Secretary in the concerned Ministry who, in turn, has to await the green signal from the Minister. Small wonder the chief executives are often seen in the corridors of administrative Ministries. Important decisions get delayed in the process resulting in escalation in costs. Most of them survive at the mercy of the bosses—the appointing authority. Primary loyalty shifts from organisations to politicians.

Many executives develop predilection for bending over backwards to accommodate the wishes of their political masters. One chief executive told me that he will be out in the cold if he does not prove to be pliable. Most of them have, willingly or unwillingly become pawns in the hands of politicians and many do not grudge being utilised for inter-union and intra-union rivalry. This is a great pity. All the managerial ailments stem from this basic malady. One sometimes witnesses the phenomenon of the chief executives treating their companies as their personal 'jagirs'. This is done to the total oblivion of organisational interests. Some public enterprises have developed an uncanny knack of getting themselves embroiled in public scandals.

Complex Challenges

It is recognised that challenges confronting public sector managers are more complex, requiring a different kind of skills. It is wrong to compare the ability of managers in the public sector with the ability of managers in the private sector where conditions are different. Many organisations do not delegate enough authority to their managers, which is a serious obstacle to their functioning. A huge chunk of public sectors' managers' time is wasted in preparing answers to Parliamentary questions many of which are uninformed. Unsatisfactory service conditions affect the performance of several managers. Remunerations are not kept abreast of inflation. This is one of the main reasons why the public sector enterprises have failed to attract suitable personnel to man the key positions. Job specifications and position classifications which are the basic essentials to proper recruitment system and rational pay structure, have not been worked out even by some of the large public sector enterprises. The absence of uniform pay-scales for similar positions has been one of the strong reasons for a high degree of flight of technical/managerial personnel from public sector. Slow decision-making on the recommendations to fill vacancies has aggravated the problem with many a senior level posts remaining unfilled. It is no use just talking of inducting professionalism of management in the public sector. This will not help really.

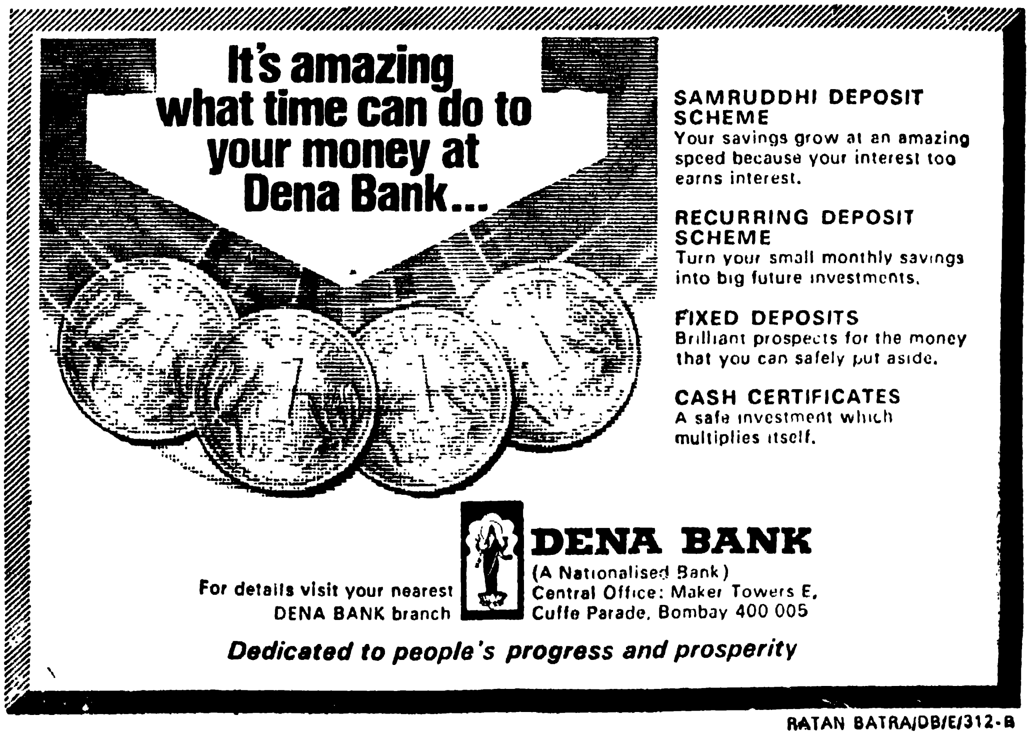
In the atmosphere of mistrust and suspicion which permeates the public sector today, there cannot be any scope for professionalism. Nor is there any scope for display of initiative, enterprise and leadership. "The name of the game is to play safe", confessed some professional managers to me when I visited public sector enterprises in West Bengal and Bihar. This has resulted in lack of achievement motivation.

Much has been said about the criterion for appointment on the Boards of Directors of public sector enterprises. Appointments are made on the basis of services rendered by politicians to political parties or individuals. Competence or capability of the person is not taken into account. Since the Board members owe their appointments to political patronage, they cannot and do not contribute much to the efficient running of business. The Administrative Reforms Commission has recommended that while making appointments to the Board, preference should be given to the officers working within the enterprises. The system of appointments should be in accordance with the basic principles that a person from the lowest ranks of service can rise to the top if he has acquired the necessary qualifications and if his performance has been outstanding.

The whole procedure for the appointments of members of Board should be systematised. Action to fill these posts should be taken well in advance to avoid vacancies remaining unfilled and making appointments in haste.

The new appointees should be placed in position as an under-study for a month or so to get acquainted with the job before taking over the post. Certain general qualifications should be prescribed for the member of the Board, e.g., experience of industrial, commercial or financial matters, applied sciences or administration of trade union organisation. The Commission wants the Chairman of the Public Enterprise to be consulted before Government makes appointments to the Board except in case of part-time official nominee of the Government.

There is much to commend in the plea recently made by Documentation Centre for Corporate and Business Policy Research for the removal of Joint Secretaries or Deputy Secretaries from the Boards of public sector undertakings and the withdrawal of the police and monitoring function of the Bureau of Public Enterprises. Mr Raj K. Nigam, who heads the centre, pulled no punches while arguing that the public sector enterprises are passing through a very critical stage where they are not sure of Government support. They are suffering from in-



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crease in centralisation, Government interference and lack of rapport. The moot point is : Will this really give the much-needed blood transfusion to the anaemic public sector enterprises ? Will piecemeal, ad hoc surgery of this nature help ?

Nothing has raised as much dust as the issue of the composition and character of the Board of the public sector enterprises. Is the Board autonomous ? Is there flexibility in management ? Is the Board free to take decisions ? The need today is to evolve management control in respect of public enterprises which would strike a right balance between autonomy and control. It is conceded that while the Government must have the power to exercise strategic control weakens their initiative and delays the process of decision-making. The views on autonomy differ but the consensus is clear that the autonomy of the Board should be real and complete and the Board should be judged by operational results. It should be free to take decisions necessary to produce results without reference to Central Ministers every time.

There is no reason why specific norms should not be laid down for each enterprise so that its performance could be judged on that basis. Every effort must be made to explore the possibility of improving managerial efficiency with a view to earning for the national exchequer a substantial surplus out of their working. What is needed to put the public sector on a sound footing, I feel, is not mere structural changes here and there, but a basic change in the concept of its working. Again the composition of the Board of Directors should be such as to command authority. This implies that an attempt to politicalise the appointments to the Board should be resisted. Politicians will find it hard to eschew this time-worn habit. In any case, this has to be done if the Government wants public sector to come out of the rut.

Registration of Export Houses

P. Chattopadhyay

An export house is defined as a trader rather than a manufacturer in the Import Policy. The author here delves into the cumbersome procedure by which this prospective industry is ruled and suggests guidelines to make it flourishing. He feels that our export performance is adversely affected by the unnecessarily elaborate procedure and confusion regarding policy to boost our exports on a sustained basis.

THE STRENGTHENING of the negotiating capacity in foreign trade and the building up of a more enduring relationship between them and their supporting manufacters are the main objectives behind the scheme of registration of export houses and the grant of special facilities to them by the *Import Policy*, April 1981 - March 1982. Prima facie, therefore, export houses are supposed to be traders rather than manufacturers of different items that figure on our export list. A close touch with the manufacturers however, is envisaged and different interlinks between export houses and their supporting manufacturers have been thought of in regard to grant of facilities, rebates, concessions, reliefs, refunds, drawbacks, etc. A good deal of activity follows after the declaration of import policy in April every year since the idea of registration of export houses was first mooted. The eligibility for grant of export house certificates is supposed to be determined on the basis of the exports actually made in the three-year base period 1978-79, 1979-80 and 1980-81.

The applications for registration of export houses are considered on the basis of whether the applicant fulfil the following conditions :

(a) The annual average f.o.b. value of exports in the prescribed base period of select products should not be less than rupees one crore or those of non-select products rupees five crores.

(b) The prescribed minimum set down above shall be only rupees twenty five lakhs and rupees two crores, respectively, in the case of small-scale units registered with the concerned State Directors of Industries before April 1, 1981, or a consortium of small-scale units.

(c) There will have to be exports in each one of the three years covering the prescribed base period.

(d) Direct exports made in the name of the applicant, as evidenced by the following documents, will be counted :

(i) Export orders/export contracts (in his own name).
(ii) Bank certificates (in his own name).
(iii) Invoices (whether or not they indicate the name of the manufacturers of the goods exported) (in his own name).
(iv) Exports made as an associate of the State Trading Corporation or other similar public enterprise may also be counted if such exports are otherwise acceptable, provided :

(A) all the REP benefits on the exports in question have been made available to the applicant;
(B) the name of the applicant appears in any of the relevant documents, with or without the name of the public sector enterprise; and
(C) the public enterprise certifies that the applicant has made a significant effort in effecting the connected exports.

(e) The value of the export of select products may be reckoned for making up any deficiency in the prescribed minimum exports of non-select products.

(f) Where a manufacturer applicant fulfils the condition of minimum exports laid down above, his exports of the products of other manufacturers should not be less than twenty per cent of the prescribed minimum (of select—non-select products as appropriate). He should also undertake to increase the level of exports of other manufacturers by the same value, so as to reach the minimum prescribed limit within five years.

(g) Invisible earnings of foreign exchange by way of erection charges, consultancy/callaboration fees, ship repair and the like will also count on par with select products for determining eligibility.

(h) In determining the eligibility of a merchant exporter or a large scale manufacturer, the value of the exports of the products made by small-scale industries will be reckoned at twice the actual f.o.b. value of such exports.

(i) "Deemed" exports are to count on par with other exports. Deemed exports relate to sales to foreign tourists in respect of the following goods which qualify for import replenishment under the import policy for registered exporters :

(i) Gem and jewellery
(ii) Handicrafts
(iii) Leather goods, namely, footwear, handbags, belts, purses, etc.
(iv) Carpets, rugs and druggets and namdahs.
(v) Cotton sarees, cotton dress material, cotton table linen, bed spreads, bed covers, cotton stoles, scarves, shawls and cotton furnishing material.
(vi) Ready-made garments
(vii) Silk fabrics and made-up articles, including furnishing material
(viii) Consumer electronics items
(ix) Disc records
(x) Books/stationery, and
(ix) Stainless steel utensils/cutlery.

It has been clarified that only a registered exporter can apply for export house certificate. For the purpose of granting eligibility certificates or their renewal, the minimum export performance shall be taken as the annual average of the three years of the base period or the exports in the immediately preceding year, provided the applicant does not have nil exports in any of the prescribed three years of the base period. In this respect, it has been mentioned that re-exports of imported products would not bring forth REP benefits admissible in the case of imported goods exported without any processing or manufacturing operation in India. The extent of processing or so-called manufacturing operation in India which would entitle or forfeit the claims under these provisions, however, has not been clearly indicated. Thus, it is possible that in the name of processing or manufacturing, the packaging is manoeuvred or the same goods are packaged into smaller lots or additional items are mixed. Unless this is specifically indicated, surveillance on whether the re-exports would be entitled to the benefits or not cannot be effective.

As regards determination of eligibility of registration as export houses, consideration is made of the aspects mentioned below :

(a) Structure, functioning and trade development programmes of the applicant;

(b) His managerial capacity including technical, financial and services resources, testing facilities and other quality control measures adopted by him, etc.; and

(c) Involvement in the export of the products of small-scale industries as well as the assistance by way of availability of imported inputs and the like provided to supporting manufacturers.

It has been mentioned as a note to para 176 that the export houses are expected to diversify their range of export products, however, diversification would not necessarily mean export of goods from more than one product group. This note is not quite clear as to whether different products belonging to the same product group would qualify the export houses under this clause. What is tacitly implied is that the export houses should purchase goods not manufactured by

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them for export. However, the Chief Controller of Imports and Exports has been given powers to relax these conditions in the case of a corporation owned or controlled by Government. It is necessary to mention here that by corporation what is implied is a joint stock company or a public corporation. The import policy is not quite clear as to whether by corporation these meant a joint stock company under the Companies Act, 1956 or a public corporation brought into being by specific enactments of the Central and State Governments. It may be pointed out here that the status of State Trading Corporation of India and that of Air-India or Indian Airlines or Damodar Valley Corporation or Oil and Natural Gas Commission is fundamentally different. Though this is a small matter, it is indicative of a pervading confusion in the concerned circles. Elaborate procedures have been laid down in the *Import Policy* as regards application for grant of export house certificates or for their renewal. Subjects to observance of these conditions, facilities promised for export houses relate to the following :

(i) Import replenishment (REP) licences eligible to them as registered exporters.

(ii) Import replenishment (REP) licences transferred to them by others.

(iii) Import of items placed on Open General Licence (OGL) in the manner set down hereunder.

(iv) Additional licences as provided hereunder.

(v) REP licences issued to export houses on their own exports will be valid for import of raw materials, components, consumables and spares as are open to actual users under Open General Licence, without debit to the value of such REP licences, provided the value of such imports does not exceed the value of the REP licence. However, the raw materials, components and consumables thus imported will be disposed of by export houses only to eligible actual users.

(vi) Imprest licence to the extent of hundred per cent of the value of REP licences earned against their own exports made during the previous year.

(vii) The facility referred to in (v) above may also be made available, on merits, to export houses against their advance/imprest licences on account of which they are rendered ineligible to obtain REP licence, after the discharge of connected export obligation. In such cases, the value upto which the facility of OGL imports may be allowed will not exceed the value to which the export house would have been eligible to the REP licence, had he not obtained advance/imprest licence in question.

In addition, it has been enjoined that export houses whose annual export performance is not less than rupees five crores will be allowed industrial raw materials assistance centre facilities, so that such export houses may supply raw materials and components (non-canalised items only) to actual users off-the-shelf against valid import licences held by such actual users. On the import replenishment licences issued in their own names or transferred to them by others, export houses will be entitled to import capital goods placed on Open General Licence for actual users and raw materials, components, consumables and spares which have been placed on Open General Licence for actual users. However, it is indicated that capital goods so imported shall be transferred by them only to such actual users as are authorised to purchase them by the concerned licensing authority; raw materials, components and consumables so imported may be transferred by them to eligible actual users. Imported spares may be sold to any person.

Consortia Approach

To encourage and assist export efforts of small-scale units, such units are encouraged to set up consortia for organizing sales of their own products abroad. Similarly, a cooperative society of small-scale units will also be permitted to do so. Such consortium or cooperative society of small-scale units will be eligible for grant of an export house certificate when they are a corporate body or a partnership firm or a cooperative society and are registered as exporters; all the members of the applicant consortium are small-scale or cottage units, recommended and sponsored by the respective Director of Industries or other concerned officer; and the minimum limit prescribed for select products for grant of the certificate may be relaxed to rupees 10 lakhs provided the consortium undertakes to increase the exports of its members of such products by at least rupees five lakhs f.o.b. each year. Such consortium, obtaining REP licences on the exports of products manufactured by its member units, will be eligible to the special facilities extended to manufacturer-exporters.

Promotional Activities

Among the facilities granted to export houses, mention may be made of availability of foreign exchange for promotional activities. It has been mentioned in para 189 that the Reserve Bank of India may allow an export house to utilise foreign exchange up to 2.5 per cent of the f.o.b. value of its total exports in 1980-81 for incurring expenditure in foreign exchange on promotional activities and import of testing instruments and equipment for packing and tagging and their spares, duly cleaned from indigenous angle, and required for setting up common service centres. The above limit of 2.5 per cent will be subject to a maximum of Rs 7.5 lakhs and any amount in excess thereof shall be adjusted against the REP entitlement of the export house on its own exports.

Among the measures laid down for reporting and control mention may be made of the following:

Every export house is expected to maintain true and proper accounts of its exports, imports and disposal of imported items. These accounts shall be open for inspection by any authority nominated by the CCI&E, New Delhi. The export houses are expected to furnish to the CCI&E, within one month following the close of the period, half yearly statements in a prescribed form pertaining to their orders, receipt and disposal of imported items against, (i) their own licences; (ii) licences transferred by others; and (iii) additional licences. Export houses are also expected to send to the CCI &E, New Delhi, copies of their detailed schemes and action programmes for export and annual returns of export effected, commoditywise and countrywise, sent by them to the Federation of Indian Export Organisations. An export house certificate valid or granted under this policy, may be cancelled, amended, or otherwise rendered ineffective:

(a) If the Chief Controller of Imports and Exports is satisfied that it had been obtained by misrepresentation or issued by oversight; or

(b) if the export house commits a breach of the import-export policy; or

(c) if the export house is found, on a complaint received from a foreign buyer, to have committed a breach of contract or indulged in unfair trade practices; or

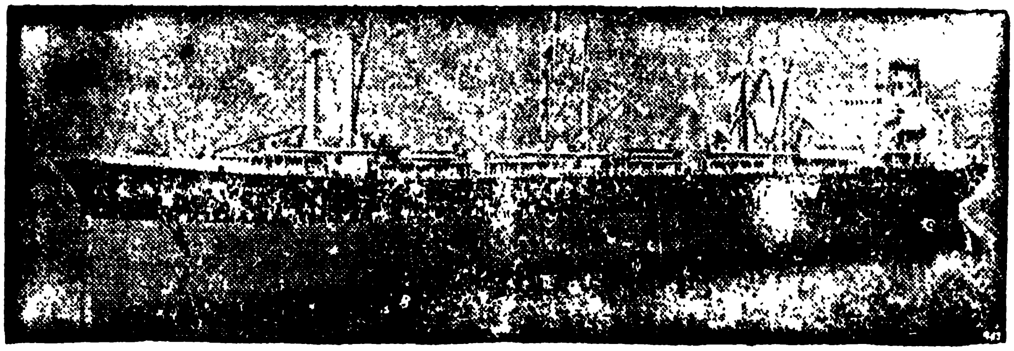
(d) if the export house fails to discharge an export obligation undertaken by it, under this policy or any earlier periods, or fails to furnish the half yearly returns as prescribed or other information in time, as called upon by the Chief Controller of Imports and Exports or the sponsoring authority concerned; or

(e) if the export house fails to send its statements and returns within the stipulated periods.

As can be seen from the above, the procedures governing the registration and functioning of export houses have been elaborate. While the scheme does not rule out operations of manufacturer-exporters, a lot more emphasis appears to have been given on merchant-exporters. This has inevitably resulted in a price push of our export products especially when manufacturers instead of forming their own export departments or export organisations find it preferable to sell their products at the domestic price to these organisations which export these items after adding their own margins. This artificial price push has gone almost entirely unnoticed. What more, Government policy appears to support this kind of practices. While the manufacturers are in a position to better respond to the requirements of international markets with regard to maximisation of the value of the products exported to the customers abroad, a trading approach to the whole question has marred our export performance from year to year. Apart from this artificial price push, prices are also pushed up because of umpteen indirect taxes which the products have to bear and which, in most part, remain unnoticed and untraced. Almost 50 per cent of the cost of production of most manufactured items is by way of indirect taxes alone. While Government thought it fit to coin nomenclatures like cash assistance, subsidy, etc., which overtly give the impression that Indian exports are heavily subsidised, the picture changes fundamentally when one considers that hundred per cent refund of these indirect taxes would not be tantamount to subsidising Indian exports.

Not only this is a logical requirement but also that most other countries have a system of refunding almost hundred per cent incidence of these taxes. It is legitimate to expect that Government should deliberately reduce the number of transactions before goods are exported to avoid false price push.

An unnecessarily elaborate procedure, a round about way of approaching the requirements of export and total confusion as to how to boost our exports on a sustained basis have adversely affected our export performance. Superscribing these aggregative concepts like maximisation of unit value has added salt to injury.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STATE OF THE ECONOMY

Improvement in Industrial Output

LATEST PERFORMANCE trends in the vital infrastructure sectors of the economy—power, coal, steel and transport—show that the revival which started in the middle of last years has gathered further momentum in the first half of the current financial year (April-September, 1981). The broad facts of the half-yearly performance in these sectors are: Power generation during April September 1981 at 6,480 million units was higher by 14.3 per cent, as compared to the corresponding period in 1980. Of significance is that the increase in power generation in the thermal sector was 19.1 per cent. The increase in the hydro sector was 8.2 per cent.

In the coal sector, the production in April-September. 1981, at 55 million tonnes, was higher by 10 per cent over the same period last year. Ingot steel production during April-September 1981 totalled 4.13 million tonnes, an increase of 18.5 per cent over the same period in the preceding year. Saleable steel output totalled 3.38 million tonnes, 26 per cent more than in the preceding year.

The performance of the Railways in April-September, 1981 shows that revenue earning tonnage at 104 million tonnes was up by 15.8 per cent in April-September. 1981 as compared to the same period in the preceding year. The tonnage handled at major ports in April-August, 1981 has totalled 32.43 million tonnes, 5.4 per cent more than in the corresponding period last year.

This encouraging trend in the infrastructure sectors compares sharply with the position two years ago when the poor performance of these critical sectors had led to serious imbalances and a general decline in industrial production. The sustained attention given to the management of these critical sectors, since the beginning of 1980, has helped to overcome the crisis situation in these key sectors and restore health of these vital sectors, paving the way for higher all round performance of the economy.

The improvement in infrastructure sectors has effectively contributed to improvement in industrial production and higher output. During April-August, 1981, in the case of 12 industries, the rate of growth has been about 25 per cent. In the case of another seven industries, their growth rate has ranged between 10 to 25 per cent.

Some key industries have recorded remarkably high growth rates. In the first five months of 1981-82 saleable steel production has increased by 24.2 per cent, fertilisers by 71 per cent and cement by 17.2 per cent. Over a number of industries, output has shown further rise as compared to the same period in 1980.

UCO Bank's Plan for Small Industries

The United Commercial Bank has drawn up a plan for the development of both agriculture and small-scale industries in Himachal Pradesh.

The bank, which is a lead institution for the districts of Simla, Solan, Sirmur and Bilaspur, had at the end of June, 1981, extended nearly Rs 18 crores for the development of priority sector in the State. Beginning with seven branches at the nationalisation in 1969, the bank has today grown into a major institution in the State with over 77 branches. Nearly 90 per cent of these branches are situated in the rural areas.

As the State is known for its apples, the bank has drawn up a special plan for the development of apple orchard and also processing. Presently it is financing a World Bank project for processing and marketing of apples by the Himachal Pradesh Marketing Corporation.

Austrian Technological Symposium

The Austrian Federal Economic Chamber (Institute for Economic Development), Vienna and Austrian Trade Commission in India are organising in collaboration with the Association of Indian Engineering Industry, technological symposium from November 23 to 27, 1981 at Taj Mahal Hotel, New Delhi. The purpose of this First Austrian Technological Symposium in India is to promote and intensify cooperation and trade relations between the two countries and also to demonstrate that Austria is not only a country famous for music but today also ranks among the technologically most advanced countries in the world. There is free entrance to all the 35 seminars to be represented by Austrian and Indian companies.

Shoe Uppers for GDR

M/s Interpelz, GDR and the State Trading Corporation of India Ltd have concluded a contract for supply of 872,000 pairs of leather shoe uppers valued at Rs 8.45 crores for deliveries during the period from March, 1982 to October, 1982. The contract was signed at the GDR Pavilion at the Pragati Maidan between Mr E. Schorsch, Deputy Director General, M/s. Interpelz, leader of the visiting GDR delegation and Mr A.K. Sen, Group Executive on behalf of STC of India Ltd.

On the basis of a sucsces-ful long term cooperation agreement concluded between Interpelz and the STC earlier in the year, this is the third major contract negotiated by STC in the year 1981 signifiying continuity in economic growth and cooperation between the two countries. Conclusion of the present additional contract will help in sustaining the corporation's export programme with the small-scale sector as one of the principal objectives leading to additional employment generation.

With the progress of economic cooperation between the two countries, the complexion of exports to GDR on the leather front is changing from semi-processed leather to finished leather and leather manufactures. There were exchanges of ideas at shop floor levels between the STC associate manufacturers and their counterparts in GDR during the visit of the delegation to Agra, Madras and Delhi so that the exacting and demanding standards of GDR could be dovetailed in the Indian production centres located largely at Agra, Delhi, Kanpur and Madras.

The visiting delegation has invited the STC and their associates to visit GDR sometime in middle of 1982, so that dialogues initiated at the shop floor levels in India could be continued in their shoe factories in GDR so as to keep abreast to changing styles, technological developments on account of growing consumer consciousness in the German Democratic Republic. The success of the export of Indian shoe uppers can be attributed to the concerted efforts of the technicians engaged in the Interpelz-STC programme as also to the STC's affiliated units who on their part are constantly willing to learn and improve.

Increase in Coal Production

As a result of varions measures taken by the Ministry of Energy the coal section has recorded major achievements. The production target rate has been exceeded and despatches to consumers including maior consumers like the thermal power station have gone up substantially. In October 1981, the coal production recorded an increase of 11.3 per cent over the corresponding month last year. During the month 9.61 million tonnes of coal was produced as against 8.63 million tonnes in October last year. The cumulated coal production during the first seven months of the current financial year, April-October 1981, recorded an increase of 10.1 per cent over the corresponding period last year. During this period coal output of 64.59 million tonnes was achieved as against 58.65 million tonnes last year.

Industrial Cooperatives

The Deputy Minister of Industry, Mr P.A. Sangma, urged the representatives of various apex industrial cooperatives to take urgent steps for revitalising dormant industrial cooperative societies here recently. Mr Sangma was addressing the first meeting of the re-constituted Committee on Industrial Cooperatives. Representatives of various apex national organisations engaged in the promotion of industrial cooperatives in the counttry, viz. National Cooperative Union of India, National Federation of Industrial Cooperatives, Development Commissioner (Handicrafts), Coir Board, Central Silk Board, DCSSI and representatives of various Ministries at the Centre attended the meeting.

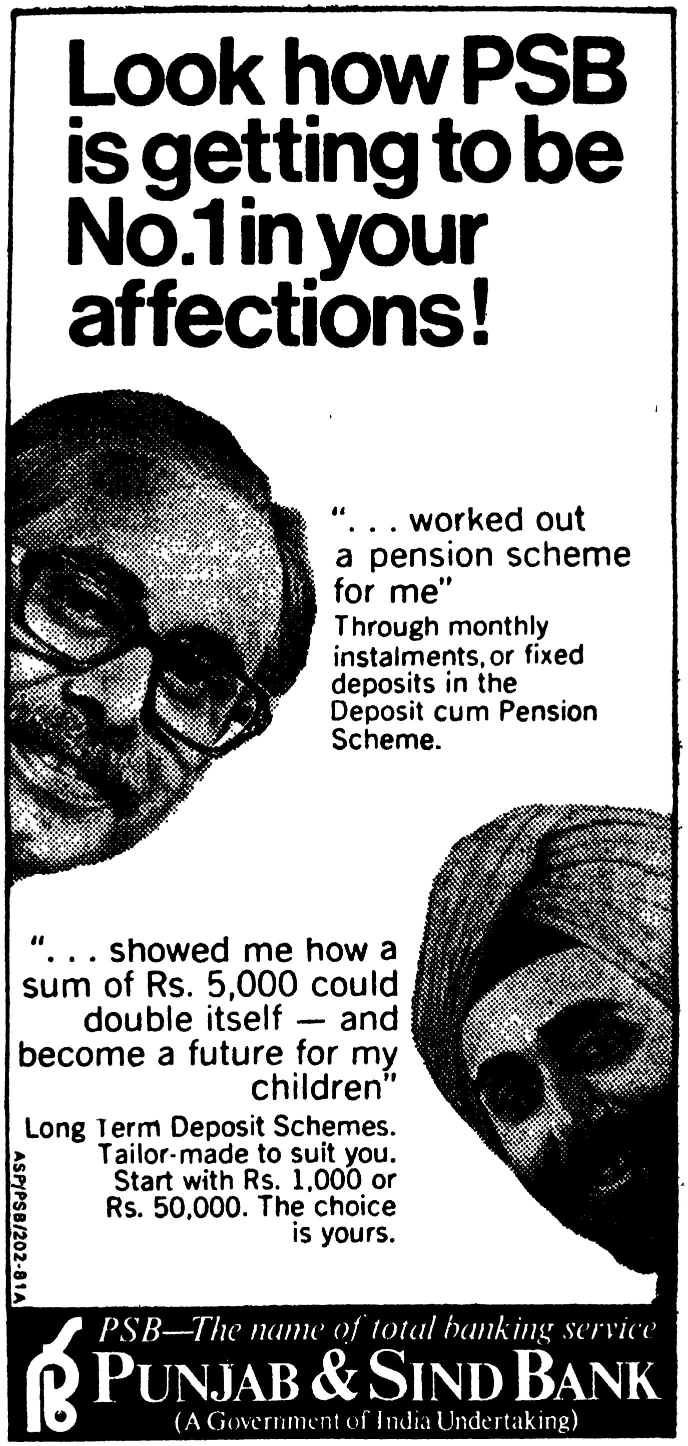
In his inaugural address, the Deputy Minister drew the attention of the members to the state of industrial cooperatives in the country and noted that a very large number of them had become dormant and urged urgent steps for revitalising such dormant societies. He also urged identification of areas and sectors in which industrial cooperatives could be promoted so that concerted action is taken by all concerned agencies to promote this form of organisation in these selected products.

The Committee considered, at length, the problems facing the industrial cooperative sector in the country. It was noted that though the flow of credit to the industrial cooperatives in the country had increased over the years yet this sector faced considerable difficulties in procuring adequate credit to meet both its working capital and long term credit requirements. The Committee was of the opinion that the Reserve Bank of India and other credit institutions like the National Cooperative Development Corporation should further liberalise their norms for lending to viable cooperative societies and, at the same time increase their coverage so that all types of industrial cooperatives could be brougnt within the fold of institutional finance.

Trade with Indonesia

A high power Indonesian delegation led by Mr Radius Prawira, Minister of Trade and Cooperatives, arrived in New Delhi on November 13, 1981 for a four-day visit. The Indonesian Minister, who came at the invitation of Mr Pranab Mukherjee, Union Minister of Commerce, Steel and Mines, was present at the inauguration of the India International Trade Fair 81 on November 14. The visiting Indonesian Minister had a detailed dialogue with Mr Pranab Mukherjee about trade and industrial cooperation between the two countries. He also visited industrial units in and around Delhi and Agra, before his return to Indonesia on November 17.

India's exports of Indonesia during 1979-80 were worth Rs 52.67 crores as compared to India's imports from Indonesia worth Rs 19.94 crores during the same period. In the first half of 1980-81, India's exports and imports with Indonesia were worth Rs 16.17 crores and Rs 5.50 crores, respectively. India and Indonesia have concluded a trade agreement on June 3, 1978 to facilitate expansion of trade. This was an MEN type of agreement and provided, among other things, that both the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Governments would consult each other in respect of any question in connection with the trade between the two countries. The main items of imports into India from Indonesia have been palm oil, cement, urea and white printing paper. Exports from India to Indonesia have been mainly of sugar and engineering products. The imports are canalised through the State Trading Corporation of India. In 1980-81, it imported crude palm oil worth Rs 1.25 crores. The STC also imported cement from Indonesia during 1979-80 and 1980-81 to the tune of Rs 8.19 lakhs and Rs 386 lakhs, respectively. STC has imported white printing paper from Indonesia during the years 1979-80 and 1980-81, the value of imports being Rs 813 lakhs and Rs 850 lakhs respectively.

The export of sugar to Indonesia has been canalised through the State Trading Corporation of India. India has also exported a variety of engineering goods worth Rs 17.33 crores in 1979-80. The exports for 1980-81 have been provisionally Rs 16.00 crores.

Rupee-Pound Exchange

The Reserve Bank of India announced a downward revision of the rupee by 0.86 per cent in relation to the pound sterling, on November 13. The spot buying and selling rates are so fixed as to give a middle rate of Rs 17.35 per pound sterling compared wiih earlier middle rate of Rs 17.20. The new buying and selling rates for spot delivery are: Buying: Pound sterling 5.7750 per Rs. 100 (Corresponding to Rs 17.31 per sterling) Selling: Pound sterling 5.7504 per Rs 100. (Corresponding to Rs 17.39 per sterling).

Cardamom Production

Four thousand farmers of Sikkim cultivating 20,000 acres of land, are producing nearly 2,000 tons of large cardamom, which is the world's highest annual production. It represents 70 per cent of India's output, the remaining 30 per cent being contributed by Assam and West Bengal. As a first step towards finding foreign markets for large cardamom, the Ministry of Commerce has decided to set up a Research and Development Institute at Panthang, seven kilometers from Gangtok. A sum of rupees one crore has been earmarked for this purpose. The State Government of Sikkim has provided 50 hectares of land for the institute. According to the Governor of Sikkim, MrHomi. J.H. Taleyarkhan, there are great prospects for export of large cardamom to West Asian countries.

More Milk in Assam

Assam is poised for Operation Flood on the Amul lines of Anand in Gujarat—Kamrup, Goalpara and Nowgaon will be the first three districts to be covered under this scheme. Cattle development, the most important step towards operation flood, has already been undertaken in a big way. Six Intensive Cattle Development Projects have been located at Gauhati, Jorhat, Tezpur, Silchar, Kokrajhar and Tinsukia. They have 16 Regional Artificial Insemination Centres and as many as 276 subcentres to promote cross-breeding of the local cows. As a result there are now about 3.5 lakh jersey cross-bred cows in the project areas. The total number of cows in the State is estimated at 17.3 lakh. Another two Intensive Cattle Development Projects are being located at Nowgaon and North Lakhimpur. Each project contains schemes for fodder and feed development, disease control and. of course, marketing of milk through a net-work of cooperative societies.

The scheme is proving extremely popular not only among the farmers, but the landless agricultural labourers also, a majority of whom are tribals. It ensures an increase in their income over a comparatively small period of time. The milk-yield from a cross-bred cow is 10 to 14 kg. a day as compared to 0.5 to 1 kg. from a local breed.

Modernisation of Calcutta Airport

International Airports Authority of India (IAAI), propose to spend over rupees two crores during the current financial year on further development and modernisation of the Calcutta airport. The amount earmarked for the Sixth Five Year Plan (1980-85) is Rs 6.10 crores. The authority is examining feasibility of constructing a new domestic terminal at the airport. The space in the international arrival block on the airside is being enlarged to accommodate two race track type conveyor belts.

Since IAAI took over the management of Calcutta airport, a number of development works have been completed to enable it to cater for the modern traffic requirements.

Cochin Port Development

Speaking on the occasion of foundation laying (driving the 1st pile) of the new Fertilizer Jetty at Cochin Port recently the Minister for Shipping and Transport, Mr Veerendra Patil said that the new jetty is part of the 'Scheme for the Integrated Development of Cochin Port' sanctioned last year. The scheme, the Minister added, consists of three parts : (i) Construction of a tanker terminal; (ii) the construction of a fertilizer berth; and (iii) widening and deepening of approach channel. The cost of the entire project may reach around Rs 50 crore as per the latest estimates. The completion of the project would not only enable the Cochin Port to handle nearly 6 million tonnes of more traffic but also enable the port to receive big-size tankers of the capacity of 115,000 DWT. And as a part of this development, the existing Q-9 berth will be modernised for use as a fully equipped container berth.

The Minister said that when the new fertilizer berth becomes operational, the present fertilizer berth would be converted into an exclusive container berth and the necessary container handing equipments will be acquired and installed there to make it a modern and functional container berth.

Korba Super Thermal Power Unit

The Planning Commission has approved the expansion scheme of the Korba Super Thermal Power Station at an estimated cost of Rs 468.66 crores. The expansion scheme would raise the capacity of the thermal station to 2100MW from 1100MW. The Korba Thermal Power Station would be connected with the Madhya Pradesh, Gujarat and Maharahtra power systems. The scheme envisages installation of two 500MW units with boiler plant, electrical and mechanical equipment, civil and architcetural works together with ancillary services. It also covers construction of 400 KV transmission lines between Korba-Bhilai and Bhilai-Koradi. Phase I of the project for setting up of super thermal power station, comprising three 200 MW and one 500MW at Korba in Madhya Pradesh, costing Rs 578 crores, is currently under execution by the National Thermal Power Corporation. This scheme already covers construction of 400 KV transmission lines between Korba-Bhilai, Bhilai-Koradi, Koradi-Satpura-Indore and Indore-Asoj. The coal requirement for Phase-I was linked to Gevra open cast project in the Kusmunda block of mines. Expansion of Gevra mines is being undertaken to match the power project requirements.

Family Welfare Programme

Reports received from various parts of the country reveal an upward trend in the performance of the Family Planning Programme throughout the country. During the first five months of the year

633,000 sterilisations have been performed as compared to 513,000 last year. There were 220,300 IUD insertions this year as against 199,000 last year. In the use of conventional contraceptives also, there has been an increase of 12.4 per cent. Similarly, the distribution of the oral pills has shown an upward trend. Among the States which have done better during the first five months as compared to the national average are, Kerala (104.8%), Maharashtra (97%), Andhra Pradesh (81.9%), Tamil Nadu (80.8%) and Karnataka (76.7%). In the States like UP and Bihar, where the performance has been much below the national average a massive multi-media motivational campaign has been launched.

Agricultural Economy of Assam

The crop calender in Assam is to be readjusted to boost the agriculture economy of the State. The Central Task Force which had visited the State recently suggested re-adjustment of crop calendar so as to increase the cropping intensity through advancing the sowing time of paddy and cultivation of appropriate short-duration high yielding and high stability varieties for different situations/topo-sequences. The advancing of sowing time of paddy crop is being brought about through implementation of the Central Sector Schemes of Community Nurseries of Rice. Under this Scheme, the Government of India provided Rs 10 lakhs to the State in 1980-81 as well as during 1981-82 as against Rs 2 lakhs sanctioned in 1979-80. The Government of India also provided financial assistance of Rs 10.75 lakhs to Assam as grant-in-aid during 1980-81 for supply of 10,750 quintals of seed of short duration high yielding varieties of paddy to farmers. In addition, 10,000 minikits containing seed of short duration varieties were allocated to this State during 1980-81.

Readers' Roundtable

Paradeep Steel Plant

Sir, The Government of India has entered into an agreement with Davy Mckee group, a UK-US combination, for the construction of 3 million tonne steel plant at Paradeep.

The agreement provokes a number of nagging questions. Does this imply the disappearance of our euphoria for Soviet steel technology on which we have been depending for nearly two decades and which we were applauding till recently?

The arrangement is on turnkey basis. Does it indicate our disappointment with the Soviet practice of annually escalating their estimates with regard to Bokaro Steel Plant?

The agreement provides for the maximum use of foreign equipment and total avoidance of indigenous equipment. During the course of construction of Bokaro and Bhilai steel plants by the Soviets we are supposed to have developed engineering skill in steel manufacture and capacity to manufacture equipment at the Soviet built Ranchi Heavy Industry Plant. Does the present agreement imply that both of these, the engineering skill and equipment, have gone obsolete? Does this not reinforce the suspicion of the Government concerning the quality of engineering skill and equipment developed under Soviet guidance? This suspicion surfaced for the first time when we wanted to offer to Dastur and Co the construction of the second phase of Bokaro plant. We could not do so because of the Soviet pressure. Does this arrangment support the accusation of our Parliamentarians voiced in 1972 and 1973 that the equipment at Bokaro was out-moded.

Acording to the arrangment, the US-UK combination would operate and manage the Paradeep plant for twenty years after it is constructed. This is contrary to our policy with regard to Bokaro. When Bokaro plant was first mooted, US offered to take up its construction on the condition that they would be running the plant for some years after it was constructed. We rejected their offer because we were not willing to accept this condition. The acceptance of a similar condition now indicates that we are having second thoughts on the wisdom of rejecting the US offer regarding Bokaro in view of the tardy growth of the Soviet-built steel plants in India and the high cost of their products.

Delhi N.C. Gangahar

USSR in Indian Oil Industry

Sir, Oil is the most elusive of minerals but the ways of looking for it in India are no less enigmatic. This has been particularly highlighted by the recent two agreements concerning oil we have entered into with the Soviet Union — one finalised last month and the other to be completed this month.

These two agreements should bring into sharp focus the result of our cooperation with the Soviet Union since 1956 when we made the first agreement with them concerning oil production and exploration.

In the course of this period more than a dozen agreement concerning oil production have been arrived at with the Soviets. Two of these covered two Plan periods, Second and Fifth Five Year Plans. Four times we pressed into service Soviet expertise and oil equipment for activisation of our sick wells. All these agreements resulted in a massive inflow of Soviet oil equipment and geophysical apparatus, so much so, that according to the finding of 1973 Public Undertakings Committee, the Oil and Natural Gas Commission had about the largest collection of oil machinery by any oil firm in the world.

Our experience with the Soviet equipment has been far from satisfactory. The 1973 public Undertaking Committee found that 2000 drilling bits supplied by the Soviets were of wrong specification and deceptive documentations.

In 1973 and 1967, delegations of top Soviet oil experts led by the Soviet Oil Minister and the Soviet Deputy Oil Minister visited India. They gave us a rosy picture of the potential of oil resources in the country and assured us that we could achieve self sufficiency in oil provided we made use of Soviet technology. We believed them and Soviet expertise and technology went on coming in a stream to the country. But the oil crisis also went on mounting. Oil wells went on falling sick one after the other and Soviet report about our oil potentials in the country did not come true.

Now when oil crisis in the country has assumed a grave proportion and more than 120 oil wells have fallen sick we have again depended on Soviet technology and expertise. One of the two agreements seeking this assistance is for ten years, longest in our history. These two agreements fly in the face of our past experience with the Soviets. They also ignore the basic fact that over the last so many years Soviets have been pining to get hold of the US and Japanese oil technology. Already two oil firms from these two countries are working in the Soviet Union.

Does not all this give rise to the suspicion that the leaders of ONGC are rather too much tied to the aprons strings of Soviet oil technology. Do we require another Malaviya Commission to probe into the working of the ONGC?

Gorakhpur Dr. G.C. Garg

COMPANY AFFAIRS

ITC Debentures

ITC LTD will enter the capital market on November 23 with a public issue of 500,000 (13.5 per cent) secured debentures of the face value of Rs 100 each for cash at par.

A novel feature of the scheme is that the ITC, for the first time, would be giving the depositor an opportunity to collect compound interest, the flexibility of running it for as long as he wished and the assurance of no penalties, Mr J.N. Sapru, Deputy Chairman said in Delhi recently.

Addressing a press conference Mr Sapru said the ITC debentures also gave the depositor the option of a simple interest scheme, a unique choice of two scales of gain—short-term and long-term.

The cumulative debenture scheme offers compound interest, and over a nine-year period, earns an effective return of over 24 per cent per annum thereby tripling the investor's principal. Additionally, one per cent incentive interest will be paid each year, linked to dividend.

The non-cumulative debenture scheme carries the 13.5 per cent normal interest per annum, payable half-yearly, plus one per cent incentive interest annually, linked to dividend. The principal will be returned in two equal instalments at the end of the 8th and 9th years.

Allwyn Introduces Seiko Watches

Allwyn, a successful fast growing public sector company, has introduced a wide range of mechanical, hand-winding, self-winding and Quartz watches. The watches were formally released into the market recently by Mr N.D. Tiwari, Union Minister for Industries at Delhi. These watches are being produced at Hyderabad in technical collaboration with world famous Seiko of Japan. The agreement is unique in many ways.

For many years Seiko was reluctant to share its technical know-how with Indian firms. In fact, this collaboration is a first ever collaboration made by Seiko outside Japan. It is to the credit to Allwyn that it was able to bag this prestigeous collaboration. Recently, Allwyn has also entered into some other prestigeous collaborations including Hitachi and Mitsubishi of Japan as a part of its product diversification.

Diversification

The company primarly known for domestic refrigerators has diversified into a number of products including compressors, air-conditioners, scooters, LPG cylinders, machine tools, industrial sewing machine and now wrist watches including the latest Quartz watches. It has also recently obtained a letter of intent for light commercial vehicles.

Both, mechanical and Quartz watches bring into the country sophisticated new technology. Seiko was the first in the world to introduce Quartz technology in watch manufacture. In its group of 23 companies, almost all the components of watches are produced as part of integrated production.

Under the agreement, Seiko will continue to transfer to Allwyn all improvements and innovations achieved during the period of agreement. Allwyn is free to export its watches to any country except where Seiko is having manufacturing licence. The Quartz watch represents the latest technology. The Quartz watches are thin and elegant. In course of time, more thinner watches will be produced by Allwyn, keeping in with the modern fashion.

Allwyn with a capacity of 2.5 million watches will become the second largest manufacturer of watches in the country. As Allwyn is backed by world's number one watch manufacturer, HMT is going to face tough time in competition with these new watches. It is a healthy sign that there will be competition between two public sector companies.

Terpene Industries

The working of Terpene Industries Limited for the year ended June 30, 1981 has shown a gross profit of Rs 22.76 lakhs out of which following provisions have been made: depreciation Rs 6.86 lakhs, investment allowance reserve Rs 50,000. Net profit comes to Rs 15.39 lakhs. During the year under review the company has produced 201 tonnes of terpeneols as compared to 222 tonnes previous year. The production was adversely affected mainly due to overall lower yield on account of heavy power fluctuations resulting in instrument failures during the year under review. Despite reduced production, the company has been able to achieve a turnover of Rs 1.18 crores as compared to Rs 1.22 crores for previous year and maintained the profitability during the year under review. The main reason for this was the marginal improvement in the availability of turpentine, the basic raw material from Himachal Government factories at contracted rates.

During the year under review the company has repaid Rs 5 lakh being the instalments of term loans fallen due to Himachal Pradesh Financial Corporation. The company has also repaid the entire outstanding term loan amount of Rs 8.25 lakhs to Bank of Baroda during the year under review on disposal of part of the assets related to rosin plant against which the said term loan was obtained from them.

The Directors have recommended a dividend of Re 1.20 per share on 500,000 equity shares of Rs 10 each and such payment will be exempted from Income-tax under Section 80K of the Income-tax Act, 1961. Necessary application for the exemption of income-tax is being made.

Ramkrishna Mills to Enter Capital Market

The Ahmedabad Shri Ramkrishna Mills Co Ltd will enter the market with an issue of 50,000 secured convertible debentures of Rs 120 each totalling to Rs 60 lakh at 13.5 per cent interest for cash at par. Of these, debentures of the value of Rs 12 lakh have been earmarked for preferential allotment to sharehoders and deposit holders of the economy.

The balance of the debenture of the value of Rs 48 lakh are offered for subscription to the public and the unsubscribed portion, if any, from the amount set aside for preferential allotment will form part of the issue to the public. The subscription list to the issue will open on November 30, 1981.

The principal features of the debenture issue are: (i) The debenture will cary interest at the rate of 13.5 per cent per annum with an additional interest of 1/2 per cent per annum in any year if the company has declared a dividend of more than 13 per cent but less than 14 per cent in the preceding year and a further interest of 1/2 per cent will be payable in the event the company declares dividend of more than 14 per cent in the preceding year on its equity capital. (ii) Each debenture of Rs 120 will carry an obligation on the company to issue two equity shares of Rs 10 each at par on June 30, 1982. (iii) Application must be for the minimum of five debentures or multiples thereof. (iv) After conversion, the outstanding balance amount of each debenture, i.e., Rs 100 shall be redeemed by the company in four equal annual instalments of Rs 25 each on the expiry of 9th, 10th, 11th and 12th year from the date of the the allotment. The debentures are fully secured. It would be observed that the conversion of the debentures of the equity would be effective in less than eight months from the date of the opening of the subscription list.

Addressing newsmen, the Managing Director of the company, Mr Priyakant T. Munshaw stated that since 1979 the company has embarked on an improvisation, modernisation and renovation in the textile division with a total capital outlay of Rs 150 lakh for which the necessary finance has been made available from the financial institutions.

The modernisation and renovation programme would have its effects on the operations of the company and would result in significant rise in production of fabrics and yarns. This would further enable the company to improve upon its productivity and returns and fetch higher sale proceeds.

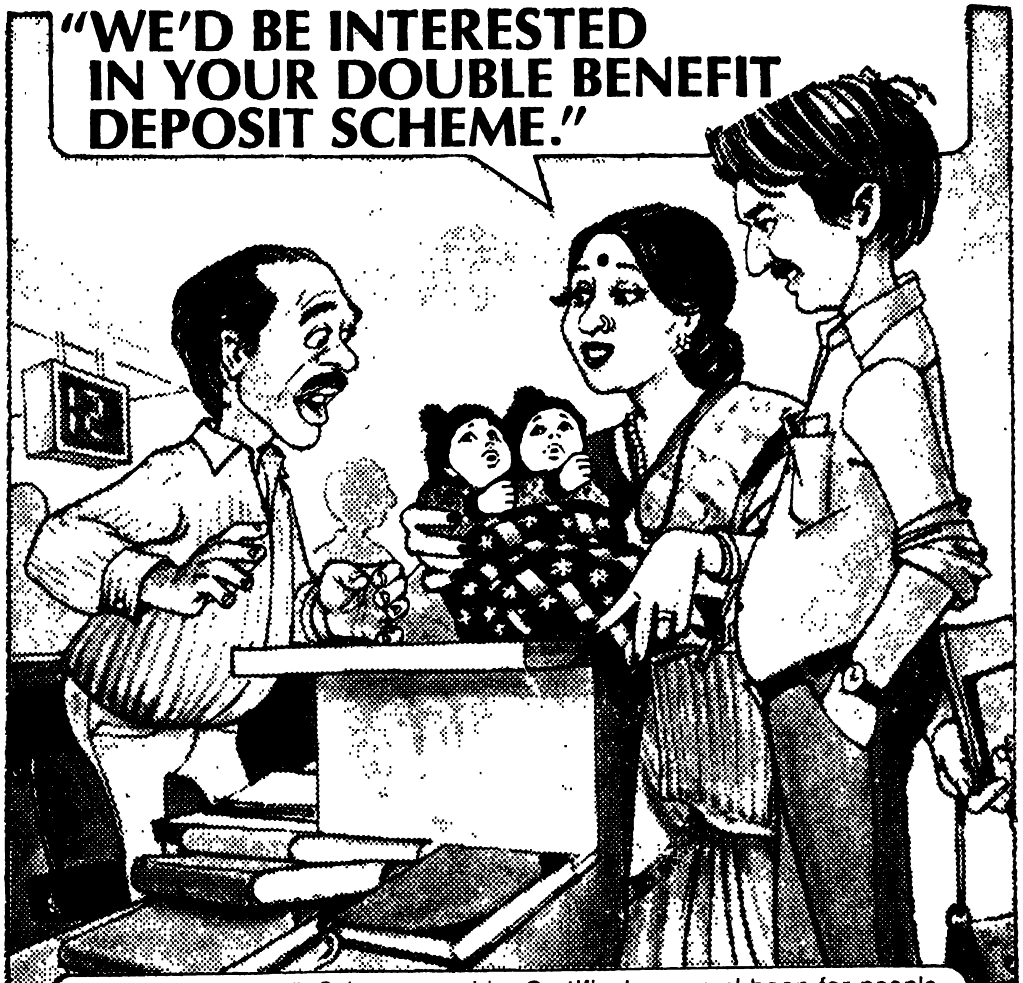
Carbon & Chemicals New Project

Carbon and Chemicals India, which is setting up a Rs 12.50-crore project at Cochin for manufacture of 17,335 tonnes of carbon black per annum, is entering the market on November 23 with a fully-underwritten public issue of 24.50 lakh equity shares of Rs 10 each.

The project has been promoted jointly by the Kerala State Industrial Development Corporation and Mr C.N. George and his associates. The company has entered into a technical collaboration agreement with the Richardson Carbon and Gasoline of USA. The management expects the plant to go on stream by October, 1982.

This is the first and only project for manufacture of carbon black in South India, which accounts for a demand of about 55,000 tonnes of this product. Carbon black is a reinforcing agent used in all rubber products. Since Kerala State produces 95 per cent of natural rubber in the country, with two major tyre factories and a mixing unit being located in the State, the demand for carbon black in Kerala itself is estimated to be in the region of 42,000 tonnes per annum by 1982-83.

Mr K.T. Chandy, a Director, told newsmen that the plant being set up will have an in-built provision for doubling the capacity with a minimum additional investment. It will consume less feedstock as compared to existing plants. The demand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for carbon black is expected to go up in view of the recent decision of the Government to ban its import. Mr Chandy has said the turnover at full capacity is expected to be Rs 19 crore at today's prices.

Ravindra Steel

Ravindra Steel is diversifying into manufacture of paper. It has secured an industrial licence for 10,000 tonnes of writing, printing and industrial speciality papers per annum.

The management has decided to offer 400,000 equity shares of Rs 10 each at par by way of 'rights' to the existing shareholders on a one-for-one basis to raise additional finance required for the proposed diversification project.

The company has reported a net profit of Rs 17.42 lakh on a total turnover of Rs 6.32 crore during the first 11 months of the current year (October 1980 to August 1981).

The management has pointed out that a fire broke out in the factory on August 10 last wherein the furnace transformer and other equipments were damaged substantially. Part of the factory building shed was also damaged, resulting in the temporary suspension of production. The company has purchased a new furnace transformer and balance equipments are expected shortly.

West Coast Paper

West Coast Paper has returned to the dividend list after a lapse of a year. The Directors have proposed an equity dividend of six per cent for the year ended June 30, 1981.

The company has earned a higher gross profit of Rs 2.05 crore for 1980-81 against Rs 1.32 crore for the previous year. The company's performance during 1979-80 was affected because of the prolonged strike at its paper factory.

The company's production of paper increased to 52,180 tonnes from 36,729 tonnes in the previous year. Its sales have amounted to Rs 30.69 crore compared with Rs 18.69 crore in the previous year.

Out of the gross profit, the Directors have provided Rs 1.41 crore (Rs 1.44 crore) for depreciation, Rs 15.50 lakh (nil) for investment allowance reserve, and Rs 22 lakh (nil) for taxation. The proposed dividend will claim Rs 38.64 lakh.

Hindustan Construction

The Hindustan Construction has earned a substantially gross profit of Rs 5.64 crore for the year ended July 31, 1981 against Rs 1.85 crore for the previous year.

The Directors have proposed to step up the equity dividend to 15 per cent from nine per cent paid for 1979-80.

The company's net profit amounts to Rs 2.34 crore against Rs 45.31 lakh after providing Rs 3.30 crore (Rs 1.40 crore) for depreciation. A sum of Rs 1.60 crore (Rs 18.30 lakh) is provided for investment allowance reserve. The proposed dividend will claim Rs 39.36 lakh against Rs 24.24 lakh.

The company's turnover increased to Rs 60.86 crore from Rs 35.20 crore.

Rohit Pulp and Paper Mills

Rohit Pulp and Paper Mills has suffered a severe setback during the 15 months period ended June 30, 1981 against the 12 months period ended March 31, 1981. Its production has declined from 17,255 tonnes to 10,852 tonnes. The main reason for the lower production during the year under review was the closure of mills for a period of almost seven and a half months due to labour unrest.

The sales of the company also declined from Rs 992.86 lakh to Rs 730.99 lakh. The company's gross profit declined from Rs 172.00 lakh to Rs 67.28 lakh. After providing for depreciation of Rs 33.30 lakh (Rs 28.47 lakh), nil (Rs 72 lakh) for taxation and Rs 6.40 lakh (Rs 3.00 lakh) for investment allowance it arrived at a net profit of Rs 39.70 lakh (Rs 68.52 lakh). The Directors have proposed a dividend of Rs 12 per share for the 15-month period ended June 30, 1981 on equity share capital aggregating to Rs 11,52,000.

Oudh Sugar Mills

Oudh Sugar Mills has earned a lower gross profit of Rs 1.77 crore for the year ended June 30, 1981 against Rs 2.56 crore for the previous year. The Directors of the company have proposed to maintain equity dividend of 25 per cent for the year.

THE CATHOLIC SYRIAN BANK LIMITED

(Registered Office : Trichur)

HIGHLIGHTS

Chairman : Shri K.P. Menon
Deputy General Manager : Shri P.D. Joseph
Year of Establishment : 1920
Year in which the Bank Celebrated its Diamond Jubilee : 1980
Status : "A" Class Scheduled Commercial Bank authorised to deal in Foreign Exchange

Financial Position As On 30.6.1981

Capital & Reserves : Rs. 50 Lakhs
Total Deposits : Rs. 86 Crores
Total Advances : Rs. 56 Crores
Number of Branches As On 31st August, 1981 : 206

Composition of Branches	**Number**	**Percentage**
Rural & Semi Urban	: 166	81%
Urban	: 31	15%
Metropolitan	9	4%

States in which the Bank has its Branches : Kerala, Tamil Nadu, Karnataka, Andhra Pradesh, Maharashtra, West Bengal & Union Territory of Delhi

The company's net profit amounts to Rs 71.29 lakh against Rs 1.95 crore after providing Rs 33.93 lakh (Rs 38.11 lakh) for depreciation, Rs 4.34 lakh (Rs 22.41) for investment allowance reserve and Rs 67 lakh (Rs 0.20 lakh) for taxation. The proposed dividend will claim Rs 38.74 lakh.

Pefco Foundry

Pefco Foundry and Chemicals has reported substantially improved results for the year ended May 31, 1981. Its turnover has increased to Rs 178.75 lakh from Rs 131.10 lakh and gross profit to Rs 17.91 lakh from Rs 13.13 lakh. Dividend hasbeen maintained at 15 per cent on the increased capital of Rs 13.50 lakh from Rs 12.00 lakh.

The company is planning to modernise its present castings plant at Pune and also planning diversification. It has received industrial licence for the manufacture of 60 tonnes of the phylline and aminophyline, 40 tonnes of synthetic caffeins and 200 tonnes of acetic acid per annum. Further, the company has also now received registration from DGTD for the additional capacity of 60 tonnes of the phylline and aminophylline and 90 tonnes of acetic acid per annum.

The chemical plant is being set up at Roha in Maharashtra at a total cost of Rs 195 lakh. The company hopes to start trial run by the middle of 1982. A part of the finance shall be raised by a public issue of equity shares.

Goodlass and Nerolac

Sales of Goodlass Nerolac during the first six months of 1981 have increased to Rs 17.86 crore against Rs 15.46 crore in the first six months of 1980.

The gross profit has been placed at Rs 98.27 lakh. After providing Rs 10.39 lakhs (Rs 10.89 lakh) for depreciation and investment allowance reserve and Rs 54.50 lakh (Rs 76.65 lakh) for taxation, there is a surplus of Rs 33.38 lakh against Rs 39.07 lakh. The company has announced an interim dividend of eight per cent.

The company's performance during the quarter ended September 1981 is satisfactory, both in terms of production and turnover. The company hopes to maintain its current profitability in the subsequent months.

Veneers, and Laminations

The Board of Veneers and Laminations (India) has announced an equity dividend of 12 per cent for the year ended June 1981 on the higher capital resulting from the issue of one-for-one bonus shares. The company paid a dividend of 20 per cent in the previous year. The company has earned a gross profit of Rs 13.57 lakh on a turnover of Rs 95.88 lakh. After providing Rs 8.80 lakh for depreciation and Rs 65,000 for investment allowance reserve and after making some adjustments, there is a surplus of Rs 3.66 lakh. The proposed dividend will claim Rs 3 lakh. A sum of Rs 10,000 has been transferred to general reserve.

Record Year for Golden Tobacco

Golden Tobacco Company has achieved a record production of 16,081 million cigarettes during the year ended June 30, 1981 against 13,259 million cigarettes in the previous year, an increase of 21.3 per cent.

The companys exports have more than doubled to 154 million pieces from 67 million cigarettes in 1979-80. The company's sales have increased to Rs 128.42 crore from Rs 104.95 crore and gross profit to Rs 2.95 crore from Rs 2.48 crore.

The Directors have proposed a final dividend of seven per cent which together with the interim of 11 per cent makes a total of 18 per cent against 15 per cent paid for 1979-80. The proposed dividend will claim Rs 99 lakh against Rs 75 lakh.

The company has received

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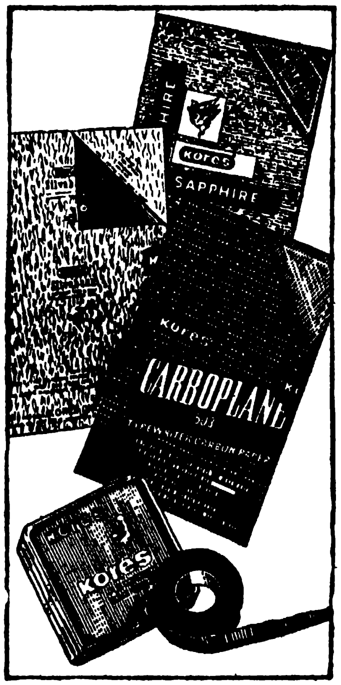
Branches all over India.



letters of intent for its wrapping and packing paper project as also for tissue paper project.

Somany-Pilkington

Somany-Pilkington's Limited has reported excellent working results for the year ended June 1981. Production has increased substantially from 9243 tonnes to 14608 tonnes although sales have gone up to Rs 1042.01 lakh (Rs 626.40 lakh) and the gross profit has improved to Rs 167.87 lakh (Rs 127.68 lakh). The profit margins have somewhat declined due to increase in the cost of inputs without a corresponding increase in selling prices. Provisions have been made for depreciation for Rs 25.45 lakh (Rs 21.36 lakh) and taxation Rs 92.60 lakh (Rs 71.50 lakh) and an investment alalowance reserve has been created for Rs 5.93 lakh (nil), leaving a disposable surplus of Rs 51.72 lakh (Rs 34.32 lakh) after adding a tax refund for earlier years of Rs 7.88 lakh (Rs 50,000).

The Directors have proposed dividend at 9.5 per cent for preference shares and 12.5 per cent on ordinary shares and have recommended the balance to be retained in general reserve in view of the funds required for the proposed new wall tiles plant at Kadi near Ahmebadad.

Vardhaman Spinning

Vardhaman Spinning and General Mills Ltd has effected increased sales turnover to Rs 5135 lakh (Rs 3995 lakh) for the year 1980-81. Gross profits have slightly decined from Rs 546.40 lakh to Rs 505.40 lakh. After making provisions for depreciation at Rs 171.40 lakh allocations are: Investment allowance reserve Rs 68.2 lakh, taxation Rs 103.20 lakh, written back amount of Rs 26.36 lakh for payment of equity dividend, a sum of Rs 1.90 lakh for preference shares dividend (subject to approval of IFCI) and amounts for development reserve and refund of income-tax, the net profit for the year amounts to Rs 230.80 lakh (Rs 179.44 lakh).

Despite the power cuts and high price of cotton, the company has bettered sales turnover. The company has taken measures for modernisation programme at the spinning units. The company is also importing certain sophisticated machinery from abroad to further widen its product-mix. Its rolling mill at Faridabad is being upgraded. These steps are expected to help the company to maintain its record performance in coming years.

Kirloskar Brothers

The Directors of Kirloskar Brothers have announced a higher equity dividend of 15 per cent for the year ended July 31, 1981 against 13.5 per cent paid for the previous year.

The company has earned a pre-tax profit of Rs 99.37 lakh against Rs 82.68 lakh. A sum of Rs 31 lakh (Rs 27.56 lakh) has been provided for taxation which leaves a net profit of Rs 63.36 lakh (Rs 56.18 lakh).

Mohta Industries

Mohta Industries Limited has done well during the year ended May 31, 1981. The turnover has increased from Rs 736 lakhs in the previous year to Rs 995 lakhs and the gross profit has also increased from Rs 142 lakhs to Rs 170 lakhs. The directors have recommended dividend on equity shares at 22 per cent against 20 per cent in the previous year. The equity dividend includes 10 per cent interim dividend already paid for the year under review.

A sum of Rs 3,469,193 has been transferred to general reserves. The paid-up capital of the company is Rs 6,496,125 The company had decided to set up a spinning mill project in the joint sector with Punjab State Industrial Development Corporation. For this purpose, a new company viz. Punjab Mohta Polytex Limited, which is a subsidiary of this company has been incorporated. Land allotment is being pursued and other steps are alsobeing undertaken to implement the said project. During the year, the company decided to enter real estate business and purchased a plot of commercial land from Delhi Development Authority in Bhikaji Cama Place, New Delhi at a price of Rs 213 lakhs for the construction of 7-storey building (including basements) for shops-cum-office complex for which there is a good demand.

Abhyudaya Co-op Bank

The deposits of Abhyudaya Co-op. Bank Ltd. has crossed the Rs 20-crore marked during 1980-81. The working capital of the bank has exceeded Rs 23 crore. Loans and advances have risen by 13.62 crore. The bank made a profit of Rs 23.04 lakh, representing an increase of 50 per cent. The dividend is proposed to be maintained at 12 per cent.

Aryodaya Ginning

Aryodaya Ginning Mills is going ahead with its modernisation and renovation programme estimated to cost Rs 2.14 crore. The company has already received a loan of Rs 1.68 crore for this purpose from the financial institutions and has placed orders for all the required machinery. The directors expect the programme to be completed within the next two years.

Capital and Bonus Issues

The following companies have been allowed to raise their capital. The details are as follows :

Bonus Issues

M/s David Brown Greaves Ltd. Rs 63,78,700 in fully paid equity shares of Rs 100 each in the ratio of 9:20.

M/s Hindusthan Gas & Industries Limited. Rs 36,75,000 in fully paid equity shares of Rs 7 each in the ratio of 1:2.

M/s Engine Valves Limited. Rs 50,40,000 in fully paid equity shares of Rs 10 each in the ratio of 1:2.

M/s General Electrodes & Equipment Limited. Rs 17,77,320 in fully paid equity shares of Rs 10 each in the ratio of 3:5.

M/s Ultramarine & Pigments Limited. Rs 30,00,000 in fully paid equity shares of Rs 10 each in the ratio of 1:2.

M/s Andamans Timber Industries Limited Rs 25,00,000 in fully paid equity shares of Rs 10 each in the ratio of 1:1.

Further Issues

M/s Modern Threads Limited. 13,30,000 equity shares of Rs 10 each for cash at par as under: (a) Promoters, etc. Rs 4.2 lakhs (b) RIICO Rs 5.8 lakhs. (c) Public Rs 123.0 lakhs.

M/s The Industrial Credit and Investment Corporation of India Limited. Issue of unsecured convertible 13 per cent debentures worth Rs 13.5 crores for cash at par as rights to the existing equity shareholders.

M/s Mahavir Aluminium Limited. Issue of equity capital worth Rs 150 lakhs. Of this Rs 46.5 lakhs will be offered to the public through prospectus.

M/s Eimco Elecon (India) Limited. Issue of equity shares of Rs 13.50 lakhs for cash at par to the shareholders of the company on right basis.

Extension of Redemption

M/s The Indian Rayon Corporation Limited. To extend the period of redemption of the existing 2385, 10.5 per cent first series mortgage debentures of Rs 1000 each by a period of seven years. The rate of interest will stand enhanced from 10.5 per cent to 13.5 per cent per annum from January 1, 1982.

Rejection

M/s Crimplon Private Limited. Refused permission to issue bonus shares of Rs 2.50 lakhs.

M/s Ritu Farms Private Limited. Refused permission to issue bonus shares worth Rs 1,00,000.

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Registered Office :

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Printed and Published by R.P. Agarwala on behalf of the Eastern Economist Ltd. United Commercial Bank Building Parliament Street, New Delhi at the New India Press, K-Block, Connaught Circus, New Delhi.
Editor : Swaminathan S. Aiyar.

Registered at the GPO, London
as a newspaper

Licensed to post without prepayment U-34, Regd. No. [illegible]
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This Week

November 18

The World Bank signed an agreement to borrow 25 billion yen in loans from a syndicate of eight Japanese banks.

West Germany to provide Nepal with a grant assistance of 25 million marks (over $10 million) to finance the purchase of fertilisers, cultivation of cash crops and to undertake studies on new cooperative projects.

The central Government decides to pay another instalment of dearness allowance to its employees in cash from June 1, 1981.

The Centre in a blanket order banned strikes in the Railways and other essential services including postal transport, banking, air and hospitals in view of the 36-hour "Assam Bandh".

November 19

The official wholesale price index for all commodities, after registering decline for three straight weeks in October began to look up during the week ended November 7. With the index standing at 280.3 the inflation on a point-to-point basis worked out to be 8.6 per cent.

Manufacturer-exporters allowed to import spares against replenishment licences as part of the import policy changes announced.

November 20

Export of maize allowed to all pre-missible destinations; it was hitherto permitted to the Soviet Union only.

Interim President Abdus Sattar sworn in as Bangladesh's second directly elected President by the Chief Justice of the country's highest civil court.

The South-West African People's Organisation (SWAPO) has agreed to Western proposals for guaranteeing the rights of the white minority in an independent Namibia, SWAPO leader Sam Nujoma stated.

Exports during the first half of the current financial year (April-September) recorded a growth rate of 20 per cent.

November 21

The Government canalised the import of carbon steel sheets in deep drawing and extra deep drawing qualities.

Mallikarjun, Deputy Minister for Railways and Parliamentary Affairs, entrusted with the additional charge of Education in a lone reshuffle of portfolios effected by Prime Minister Indira Gandhi.

Gurcharan Singh Tohra unanimously re-elected President of the Shiromani Gurdwara Parbandhak Committee (SGPC) for the ninth successive term.

November 22

The two Houses of the US Congress have approved the sale of sophisticated F-16 planes to Pakistan.

India and Uganda signed four agreements which will institutionalise their economic and technical cooperation and boost bilateral trade.

Representatives of several trade unions called for a day country-wide strike on January 19, 1982 to demand, among other things, the scrapping of the National Security Act.

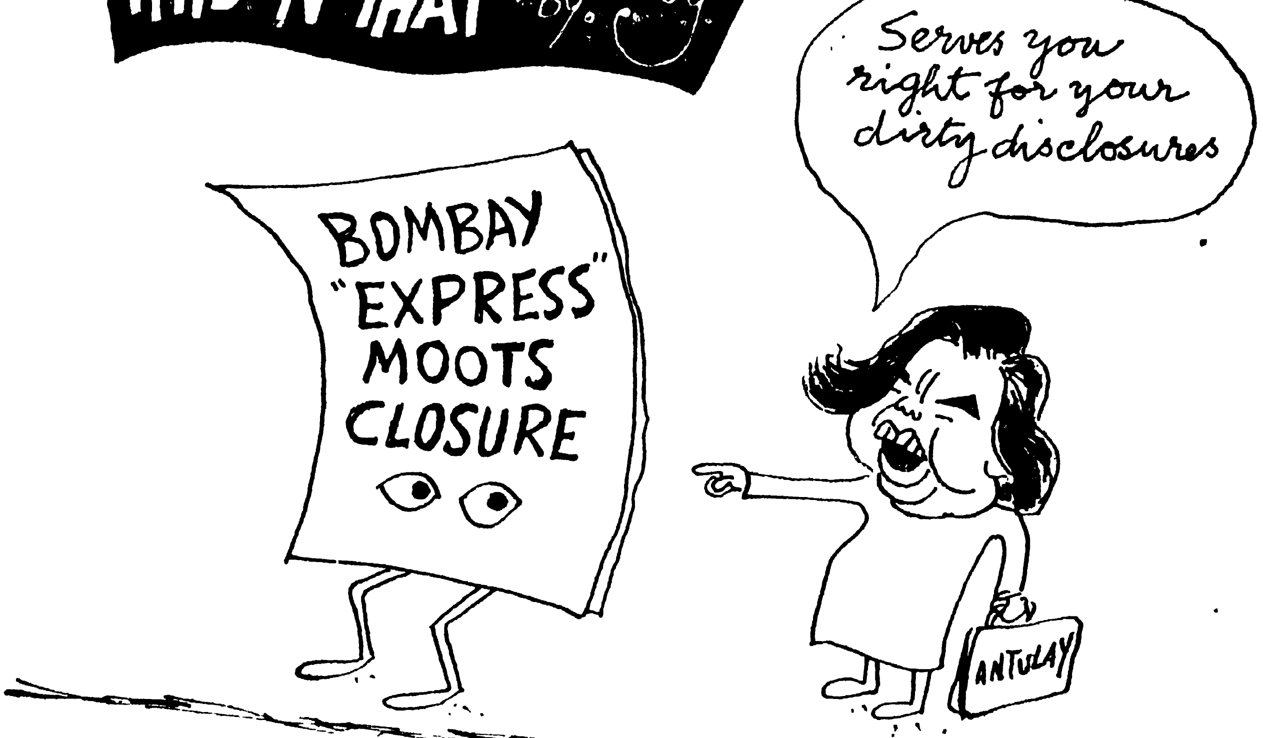
Iran has agreed to supply 4.8 million tonnes of crude oil to India under a long-term agreement.

November 23

The Bihar Government promulgated an ordinance imposing a levy on all rice mills with boiling and drying facilities and restricted the transport of paddy from the State to face the drought situation.

The Finance Minister, Mr R. Venkataraman, claimed in the Rajya Sabha that the anti-inflationary measures taken by the Government had brought down the rate of inflation to about 3.8 per cent between April 1 and November 11.

THIS 'N THAT by Kerry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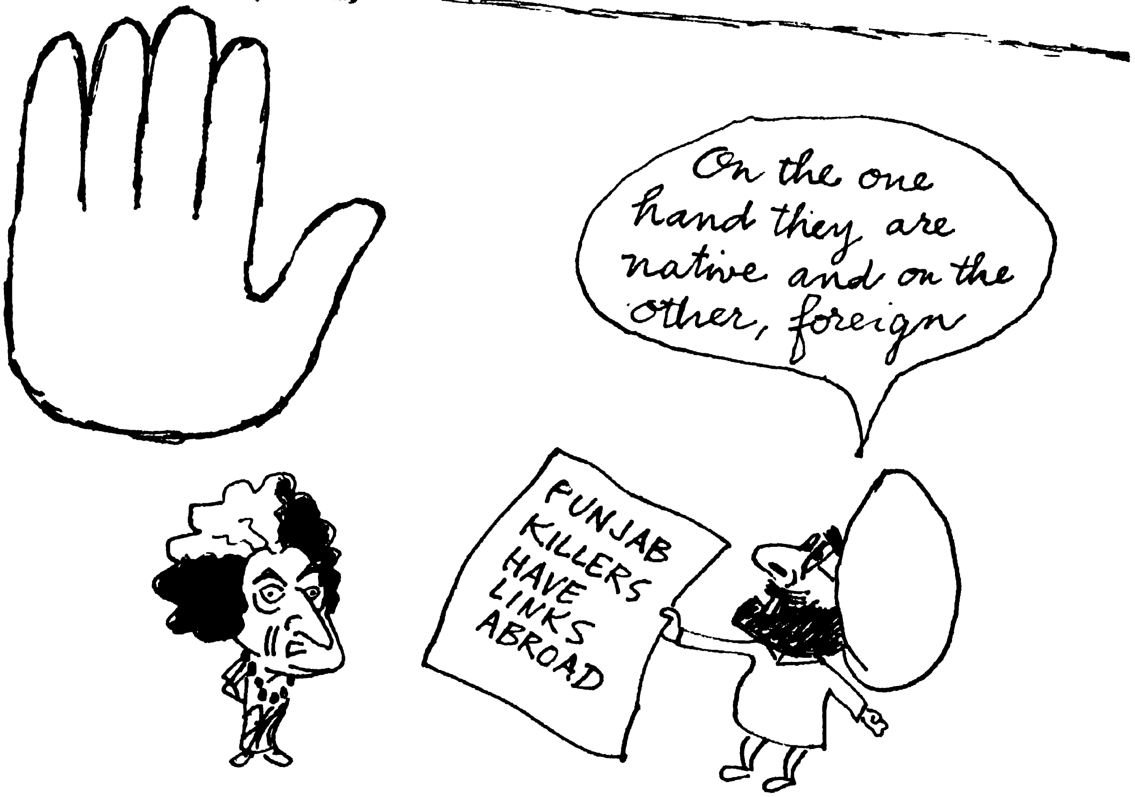
On the one hand they are native and on the other, foreign
PUNJAB KILLERS HAVE LINKS ABROAD

Dry Thoughts

After 34 years of independence, we now have a Home Minister in Mr Zail Singh who has finally discovered a solution for the problems of Harijans. For too long we have plied them with alms; henceforth we must give them arms. Guns, not butter, is Mr Zail Singh's slogan. What a long way we have travelled in the last 34 years ! What a distance there is between the Gandhian principles of the Mahatma and the Gandhian principles of Indira !

It was Gandhiji who coined the very word "Harijan". Nobody in all history did more for their uplift. And nobody would have been more appalled at Mr Zail Singh's solution than Gandhiji. He fought for the weak and oppressed, and his weapons were non-violence and patient reasoning. These were not easy weapons to employ. Their users had to be prepared for long periods of tribulation and suffering. These were necessary, Gandhiji felt, for improving the moral force of the reformers. To him it was axiomatic that he had no right to ask the oppressors to give up violence unless he himself was non-violent.

We now have a Congress party where the last thing anybody is interested in is moral force. Indeed, morality is considered positively subversive, as it denotes loyalty to abstract principles, whereas the party is now based on absolute loyalty to a person regardless of principles. This tribe of politicians has no intention at all of undergoing any suffering or tribulation - it would rather inflict these on its opponents. It believes in the liberal use of goondas—who are sometimes criminals and sometimes policemen—to settle the hash of those who act uppity. It can be no surprise, therefore, that Mr Zail Singh has reacted as he has to the massacre of Harijans at Deoli village. In the old days, his response would have been to despatch official goondas—the police—to solve the problem. But since the police have demonstrably failed to cope with the problem, second-best solution is to turn the Harijans themselves into a bunch of armed goondas.

As Home Minister, Mr Zail Singh is supposed to be in charge of law and order. What he is now tacitly admitting is that he can no longer enforce the law or maintain order. And his solution is to institutionalise gun law. He seriously believes that when everybody has a gun, everybody will be safe. Can such a comic character really be entrusted with the country's internal security ?

The proliferation of guns has been the most serious cause of the collapse of law and order in the Gangetic plain. Every dacoit gang has semi-automatic weapons, every rural overlord has a personal arsenal. The liberal issue of gun licences is one reason for this proliferation of arms. But a much more serious reason is corruption in the police and armed forces, which has created an established racket in selling arms and ammunition to dacoits. When there is corruption at the top, it will inevitably invade the lower echelons including the defence forces. Thus there is a direct connection between moral decay at the top and the collapse of law and order in rural districts. The connection would have been obvious to Gandhiji. It is not obvious to Mr Zail Singh.

His solution is to increase rather than reverse the proliferation of gun. We know what the end result will be. It will mean that every small quarrel escalates into murder. Instead of voices being raised in anger, gun-barrels will be raised in anger. Every murder will bring forth vows of revenge, and the deadly cycle of killing and more killing will spiral ever upwards. At this juncture, Mr Zail Singh will probably propose that the solution is to give Harijans machine guns, so that they have a clear-cut superiority. If the superiority turns out to be overwhelming, he will next give howitzers to the middle castes and tanks to the upper castes. When this does not work, he will assign fighter planes to the Harijans. Ultimate security will finally be attained by giving every man, woman and child an atomic bomb. After all, the Tarapur agreement has been broken by the USA, and we can now extract all the plutonium we want from the spent fuel. Mrs Gandhi has always harped on our interest in using nuclear explosions for peaceful purposes. Mr Zail Singh's formula will provide for their use in finally establishing law and order. Then, perhaps, we will at last be able to hold a by-election in Garhwal. Mr Homi Sethna will be appointed Chief Election Commissioner. He will refuse to let any observers from the International Atomic Energy Agency witness the elections on the ground that we will not tolerate international inspection of nuclear facilities set up with our own know-how.

Mrs Gandhi will announce that socialism has finally arrived with the egalitarian distribution of one bomb per person, and will warn the larger industrial houses against trying to corner any. The Khadi and Village Industries Commission will propose nuclear manufacture in rural areas on the ground that this would be in conformity with Gandhian principles. The small-scale sector will fight for nuclear bombs to be put on the reserved list. The Federation of Indian Export Organisations will ask for tax concessions to set up 100 per cent export-oriented nuclear units. Having achieved peace at home in this fashion, we will emphasise the need to ensure that we export these peaceful devices to all countries. Western countries attempting to erect trade barriers against such exports will be denounced in the United Nations as protectionist gun-merchants. And, of course, we will celebrate Gandhi Jayanti each year with a peaceful explosion as tribute to the apostle of non-violence.

—Swaminathan S. Aiyar

Industrial Development : The Indian Experience

Mantosh Sondhi

OUR ACHIEVEMENTS in the last 30 years have been good by any standard and it is something of which all of us can be legitimately proud. Today we have in this country a highly diversified industrial base which covers a very wide spectrum indeed. At one end of the spectrum, we manufacture extremely sophisticated items like the fighter aircraft, warships, armoured fighting vehicles and at the other end of the spectrum we have items like the hand tools, sewing machines, bicycles and the like. I have mentioned some of the items of defence equipment intentionally because all of us know that it is not possible for any country to sustain such a highly sophisticated defence production base without a matching engineering and technological capability in the non-defence sector.

In the building up of this industrial structure, our early emphasis on technical education and training has paid rich dividend. The network of industrial training institutes in the country is annually turning out trained shop-level workers in different disciplines to the extent of over 150,000; this takes care of the replacement requirements and the gnowth needs of the industry. In fact, we have today reached a stage where I consider that our greatest asset is the large reservoir of skilled manpower and the managerial competence that we have developed.

Lack of Vision

The question which, however, arises is whether within this time-frame of 30 years, more could have been achieved. My answer to this is an unequivocal 'yes'. With greater pragmatism, vision and intellectual realism and if everybody concerned had a burning desire to achieve results, the progress could have been considerably better and that too within the framework of the Industrial Policy Resolution of 1956 which continues to be the cornerstone of our basic policy for industrial development.

In the last 30 years, the public sector in India has made a lot of headway although it is equally true that it has not fully come up to expectations. On the plus side, the public sector units have bridged the technological gaps to a large extent particularly in the manufacturing profile, have developed the capability for consultancy, project engineering and project construction work, and having the advantage of the size of operations and large turnover combined with the accumulation of expertise and experience are now in a position to mount a real thrust in research, design and development so necessary to maintain progress and competitiveness.

Disquieting Feature

A somewhat disquieting feature of the performance of the public sector has, however, been the low rate of return on the large investments made. There are many reasons for this. Some of these are—an imperfect assessment of demand, overcapitalisation, wrong choice of technology, unsuitable location in some cases, over-staffing, indiscipline and a general feeling of complacency due to a false sense of security of service. Another important factor which has come in the way of the optimum performance of the public sector has been the managerial and administrative inefficiency. In some cases this has crept in due to the inept choice of the Chief Executive for reasons other than merit for, in any organisation, it is really the top man who sets the pace. The problems of the public sector can also be attributed to factors beyond the control of the managers, such as delays in decision-making particularly at the Government level, lack of clarity of focus on the main objectives and lack of clarity in giving a sense of stability and direction to the management.

The malaise can also be traced to weakness in organisational structure, unrealistic pricing policies and in many cases, inadequate support and control by the administrative Ministries. Undue political interference has many a time totally cramped the style of good and otherwise effective managers. It is in this context that certain conventions must be established as in the case of some of the developed countries, if the public sector has to completely fulfil the role assigned to it. And these are in the areas of accountability, their relationship with the Government so that there is no interference in the day to day management decisions, the role of the Government Directors on the Boards of the public sector units and Government audit which generally lays an excessive emphasis on procedural accountability which often proves counter-productive in that it provides a disincentive to initiative, action and decision making on the part of managers and management collectively. Witch hunting and character assassination which seem to be the pastime of many these days must give way be constructive criticism. Unless this is done, it would be impossible to create a proper environment for the public sector to flourish and grow in the years to come.

Political Interference

It is unfortunate that undue political interference seems to be the bane of public enterprises in many developing countries which I had occasions to visit in the last one year. Another problem which I noticed as common to many developing countries is that in their attempt to develop a public sector, they adopted the concept of 'giganticism', and resorted to sophistication in technology and multiplicity of equipment in the absence of adequate technical back up and infrastructural facilities. This should now give way, wherever possible, to the new way of thinking that "Small can be beautiful".

The question of take over of 'sick' units must now engage the attention of the Government in this country. It has been my experience that it is much more difficult to nurture back to health a 'sick' unit with all its attendant problems of low morale, poor industrial relations and neglect of plant and equipment, in comparison to the setting up of a new unit ab-initio. The recent policy statement of the Government regarding a more selective approach for the take over of 'sick' units is a step in the right direction.

The Main Thrust

When we started with our industrialisation soon after independence our main thrust understandably was on import substitution; for this we naturally had to give protection to our nascent industry. This took the form of complete ban on imports in certain cases and tariff protection in some others. Fortunately, in the last few years the emphasis has shifted from import substitution to export promotion. Similarly, four or five years ago it was felt that a stage had been reached when some sectors of the industry which had established themselves in the country should be gradually exposed to a certain amount of healthy competition so that they did not become flabby and inefficient if they were allowed to continue to operate in a sheltered market. The result was that 14 industries which included power equipment, capital goods, equipment for fertiliser plants and petrochemical complexes, were thrown open to international competitive bidding subject to a tariff protection of 40 per cent.

I recall that when this decision was taken there was an apprehension in certain quarters that our industry may not be able to hold its own under these conditions; in actual practice this, however, did not turn out to be so. But it looks that recently there has been a reversal of this policy to some extent. If this is true then it is unfortunate because I am firmly of the view that we should continue to expose more and more of our industries to international competition. This would help us to keep our investment on new projects low besides avoiding time 'over-runs' in those cases where the indigenous industry cannot meet the delivery requirements. Time 'over-runs' and cost 'over-runs' in setting up new industrial projects in the initial stages of our development was a serious malaise from which we greatly suffered and from which we still continue to suffer for one reason or the other although to a lesser extent.

Reverting for the moment to the question of import substitution as a policy for industrial development, we in India with its large population had no option except to set up a large base for the manufacture of sophisticated capital equipment together with steel plants, aluminium complexes and so on. But to what extent it would be relevant to set up such industrial units in smaller developing countries individually is a matter which each country will have to decide bearing its own interests in mind. In this context the following extract from the book—"The Economics of Modernisation" by Goh Keny Swee is interesting:

Double-edged Weapon

"Industrialisation based on import substitution has proved a double-edged weapon. As a means of saving foreign exchange it has proved to be self-defeating. The reason is that machinery and equipment needed to establish these industries has to be imported from abroad. In many, probably most instances the value of output consumed at home, representing the minimum saving in foreign exchange, is less than the amount needed to pay for interest and instalment payments on machinery as well as current purchases of spare parts needed for maintenance. This is particularly true of capital intensive industries such as steel production, oil refineries, heavy chemical plants and other so called basic industries which seem to have a fatal attraction for economic planners."

There is an immediate necessity to stimulate production and the investment climate in the country in the private sector. It was only a few years ago that some measures in this direction were taken by the Government such as the provision of excise rebate on excess production over a pre-determined level. Subsequently inexplicably this incentive was given up. Time has now once again come when some of these provisions should be revived and some new measures instituted. Investment climate also depends on the taxation structure; a lot needs to be done in respect of indirect taxation by way of rationalisation and simplification.

For this a system is called for which would enable an economic evaluation to be done when the rates of excise duty are varied so that the element of adhocism and the so called cascading effect due to multi-point imposition of taxation could at least be eliminated. Similarly in order to create the right climate for sustained industrial growth, the control structure must be dismantled to the extent that it does not subvert the accepted socio-economic objectives. Because what really happens, in effect, is that those who have no scruples flout the controls with impunity, taking advantage of our cumbersome legal and administrative procedures; it is only the law abiding who find the controls coming in the way of development and growth. This I have found is true of many other developing countries also.

Partial Delicensing

In certain sectors of industry, partial delicensing upto certain investment limits, subject to the exclusion of those lines of production which are reserved for the small-scale sector, should also be considered. For example, in the case of the electronic industry there seems to be no reason why the delicensed investment limit should not be raised to Rs 5 crores without any caveat. This is the only way if the manufacture of components which forms the backbone of the electronic industry is to be given a fillip. It must also be recognised that in a situation of partial delicensing there is a distinct possibility that some of the units which were originally badly planned or were being indifferently managed would go to the wall. This, however unfortunate, would be inevitable, although from the point of view of the long term health of the industry, is a step in the right direction.

Another mistake which was repeatedly made by us is that in many cases non-viable and fragmented capacities for the same product were approved in a large number of units in the mistaken belief that this would avoid concentration of economic power; but what has really happened is that this has not only eroded the profitability of such units but has also made their production cost disproportionately high. *To overcome this highly undesirable situation it is necessary to allow expansion* of such unviable units because it will not only make their operations more viable but in such cases the investment costs will also be much lower.

It is axiomatic that per unit cost of additional capacity through expansion within limits, is much lower than what it would be if new capacity were to be set up ab-initio; in such cases the gestation periods are also much lower. Moreover, this will help to increase the ability of all such units to grow because it will broaden their markets at home and abroad through lower costs and lower prices; such cases should also receive priority in the matter of financing by the financial institutions.

Recycling of wastes is an area which has so far been totally neglected in the process of our industrial development; similarly very little attention has been paid to the treatment of industrial wastes. To encourage this in the future, it is necessary that the expenditure incurred by the industrtes on the installation of recycling and treatment plants should be treated as a revenue expenditure and not as a capital expenditure for income purposes. A fixed amount should also be set apart by the financial institutions for this purpose.

Long-term Strategy

Our trade deficit is expected to be the largest ever this year; in order to reverse this trend it is necessary to have a long term export strategy as an integral part of our overall strategy for industrial and agricultural development. Fortunately, the Government has accepted most of the important recommendations made recently by a high powered committee which was assigned the task to evolve a blueprint for a long term export strategy. This should improve matters so long as [this blueprint is kept under review all the time to take care of the dynamic situation in which we operate in the international trade market. The blueprint as evolved by this committee included identification of potential markets and commodities with specific indication for the creation of an adequate *production base both in the manufacturing and agricultural sectors.*

And finally I come to the question of import of technology. I am of the firm view that we should not hesitate to import technology on a selective basis: nor should we frown upon foreign investment if it is necessary. We must also recognise that transfer of technology cannot be treated as an outright purchase as in the case of hardware item; on the other hand the success of a collaboration arrangement depends to a great extent on the rapport that can be established between the licensor and the licensee. I must mention here that in some cases the import of technology was blocked in this country on the plea that indigenous technology had been developed; which on closer examination of such cases turned out to be untenable.

Technology Imports

In the context of import of technology, we must also accept the position that the world trade amongst the developed countries in the transfer of technology is going up every year. Therefore, a developing country like India should have no inhibition in importing technology whenever there is need for it so that the technology gap between India and the other countries does not continue to grow. At the same time we ourselves must build a strong R & D base so that we cannot only assimilate and adopt the imported technology but also gradually improve upon it in order to establish a two way flow. A beginning in this direction has already been made and the flow of technology from India to some other countries has already started, mainly through the setting up of joint ventures.

In the area of sophisticated technology, it is mainly the multi-nationals who have the know-how. We in India have now reached a stage of development where we can talk to the multinationals from a position of comparative strength and reach collaboration agreements which are to our mutual advantage. In fact, many such collaboration arrangements have been finalised in the last few years, which are working very satisfactorily. Prior to that we lost many apportunities of good collaboration arrangements due to inhibitions in dealing with the multinationals.

How labour intensive or capital intensive should a particular technology be, has exercised ones mind a great deal from time to time, this essentially is a matter of judgment. In my view in the key sectors of our industry which provide the essential inputs of raw materials or components to the downstream industries the only consideration should be how economical can the production be. This is something which should not be subordinated to or compromised with the desire for greater labour intensity for its own sake. There can be no better example of this than that of the handloom sector providing large scale employment in conjunction with a technologically sophisticated sector responsible for the production of yarn of at comparatively low prices.

Similarly, steel can be used as a resource for the development of industries in the cottage and the small-scale sectors provided steel of the right quality which can be processed in the decentralised sector is made available at economic prices. The electronic industry has a large potential for decentralised growth in the matter of assembly of application products provided low cost components can be made available using high technology and high capital investment. This industry, which is a forceful catalyst for the growth of the national economy, ideally fits in with our national priorities and resource endowments.

In the matter of ancillary units also, the organised sector can play a much greater role than hithertofore. Items reserved for the small-scale sector need to be very carefully examined and continuously reviewed so that the items so reserved are spelt out with clarity and suit the genius of the small-scale operator. But ultimately the decentralised sector will succeed only if its development is treated not as a political exercise or as a measure to circumvent the rules and regulations by the organised sector but essentially based on economic considerations.

(Excerpts of a paper presented at the Fourth International Seminar of Economic Journalists held recently in New Delhi.)

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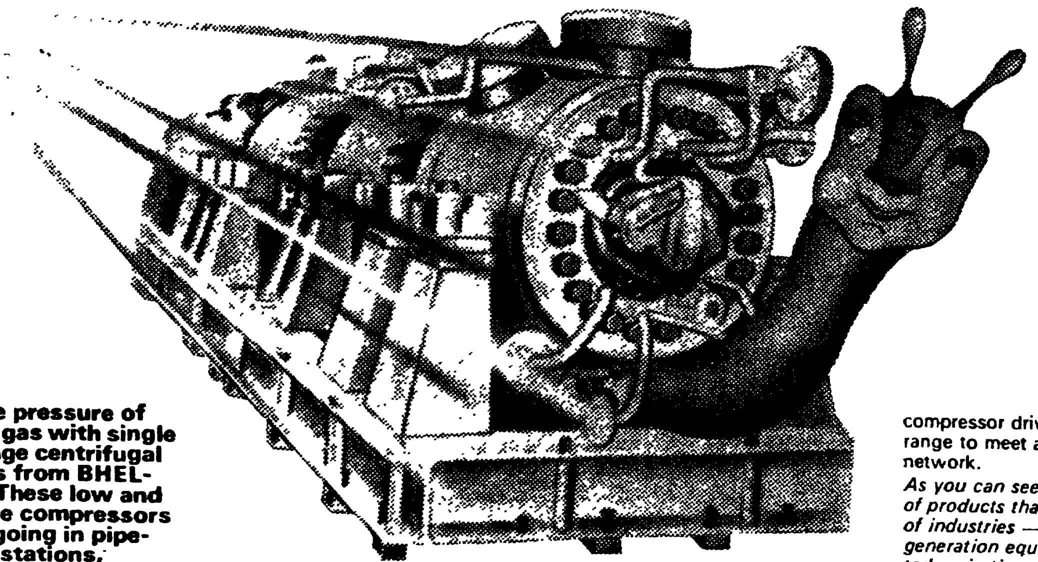

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Economic Analysis

Super Farms

Dr. M. S. Swaminathan

THE WORLD today is witnessing two contrasting trends of evolution of farm ownership and management systems. In terms of ownership, the land may be either socially or individually owned. In both free enterprise countries like the United States, Canada and Australia as well as in Socialist countries like the USSR, Eastern Europe and China, the size of an operational holding is getting larger and larger. In contrast, in many of the developing countries of Asia and Africa, the size of a farm holding is tending to get smaller and smaller. We can thus recognise, on the one hand, large super farms exceeding 1,000 hectares in size based on capital and energy intensive and labour displacing technology, and on the other, small farms of 2 hectares and below operated largely with family labour and with little capital or energy investment.

Among super farms, three broad categories can be recognised:

(*a*) *US Model*: The United States today serves as a major bread basket of the world. A good example of the trend in US farming methodology is provided by the rice culture operations in California:

"The production of rice in California has evolved into one of the most highly mechanised agricultural operations in the world, including the levelling of fields by laser beam, the sowing of seed by airplane and the harvesting of the crop by special combines that do not bog down in the mud of the rice paddy. The 1979 California yield of 6,450 pounds of rice per acre was 50 per cent higher than the average in the other rice-producing States in the US and nearly three times higher than the world average of 2,360 pounds per acre. Although the acreage devoted to rice in the US is only 0.9 per cent of the world total, the US produces 1.7 per cent of the world crop and in many years is the world's largest rice exporter."

Super farm management technology of this kind is based on a heavy consumption of non-renewable forms of energy. In this system, energy consumption is high not only in the production phase but also in the post-harvest phase of the production-consumption chain. Serious thought is hence being given to methods of reducing the high dependence on fossil fuels in achieving productivity improvement. For example, a study conducted on agricultural production efficiency by a Committee of the US National Academy of Sciences showed that modern cropping systems in the United States yielded less than five calories of digestible energy per total calorie of agricultural energy. Out of various systems studied, the most energy efficient agricultural systems were labour intensive vegetable growing in New Guinea and rice culture in the Philippines. However, these comparatively efficient cropping systems were also the least productive in terms of digestible energy per hectare. In other words, the pathway of productivity improvement chosen in the super farm management system involves an exponential rise in energy consumption.

(*b*) *Soviet Model*: The Soviet model of super farm operations largely consists of big State/collective farms. Since land is socially owned, a collective farm is run like any other State enterprises. The farms are highly mechanised and because of weather conditions in the USSR, energy consumption in these farms also tends to be very high. Many developing countries have also experimented with such large mechanised farming methods. We have in India a few large State Farms started with the help of USSR. These are mostly used now for seed production.

(*c*) *Cooperative Agro-Industrial Complexes*: The third kind of super farm model is the one found in several Socialist countries in Eastern Europe like Bulgaria. This involves the organisation of a large contiguous area into an agro-industrial complex. Each agro-industrial complex has a land use model based on considerations of economics and ecology. Production, processing and marketing are linked together into an integrated system. The complex provides the needed facilities to the farming families who are members of the cooperative which manages the complex. Land is not individually owned but the members of complex have a sense of belonging because of the institutional devices introduced for promoting cooperative management of farm operations. Other Communist countries like China have also introduced cooperative systems of management of farm operations within a framework of social ownership of land.

Thus the super farm kind of organisation of agriculture is assuming different manifestations based upon the land ownership pattern, i.e., private *versus* State ownership. Whatever the administrative or ownership structure may be, the super farm operation provides opportunities for introducing scientific management systems such as the following:

1. Crop planning in accordance with agro-meteorological and soil-moisture-retention data on the one hand and marketing opportunities, on the other;
2. Minimum or appropriate tillage;
3. High plant density leading to dense crop canopies;
4. Weed-free environment;
5. Controlled release of fertiliser, use of nitrification inhibitors, foliar feeding and use of low cost anhydrous ammonia;
6. Use of bacterial, algal and other microbial fertilisers;
7. Integrated nutrient supply involving an appropriate blend of organic, inorganic and biological sources of fertiliser;
8. Better-on farm management of water, including drip irrigation in arid land;
9. CO_2 fertilisation for maximising production in glass houses;
10. Integrated pest and disease management involving crop sanitation and agronomic, genetic, biological and chemical methods of control;
11. Use of hormones and growth regulators in fruit trees and ripeners in sugarcane;
12. Organic recycling leading to crop-livestock, crop-fish, and crop-livestock-fish integration.

The super farm technology can also generate the necessary resources to overcome problems arising from risk and return and can help in efficient marketing. However, this kind of farming also faces a few major problems:

(a) High consumption of non-renewable forms of energy;

(b) environmental pollution arising from the application of large doses of chemical fertilisers and pesticides; and

(c) problems of motivation and soil productivity maintenance under conditions where the individual or firm has no long-term stake in the land.

Confidence has been expressed by several experts that the energy-intensive super-farm technology could be reoriented gradually towards a zero-energy farming system. For example, Leach describes what can be done in North America and Western Europe as given below:

"The energy-intensive Western farmer could, with little trouble, reduce his overall energy consumption dramatically—and without any loss of yield or return to labour-intensive methods. Recycling animal wastes partially to replace artificial fertilizers, or using them to generate methane, are two frequently urged solutions since they solve the sometimes critical waste disposal problems too. But by far the largest impact would be made by using sensibly a natural fuel that many farmers now burn wastefully and destructively in their fields—cereal straws.

"Most farms grow cereals. An average acre of cereals in the UK yields roughly one ton of straw with a gross energy value of 3 million kcal (2,000 kcal/lb, 30 per cent moisture content in the field). This is roughly equal to the *total* energy input per acre for most farms, and is more than twice the energy used per acre as fuel and electricity for all farms except pig and poultry enterprises. Preliminary work at Nottingham University shows how this straw might be harvested and turned into a fuel for a very low energy cost. The entire cereal plant is cut with a forage harvester (instead of a combine for the grain plus a tractor and cutter-baler for the straw) and dried. After drying, the grain and straw are separated, and the straw could be burned either in a furnace to provide heat for drying, or in an external combustion engine (e.g. Stirling cycle) to provide mechanical power or even electricity. The straw drying would consume about 12 to 15 gallons of fuel (600,000 to 700,000 kcal) under average conditions, giving a net energy yield of 2.3 to 2.4 million kcal. Alternatively, the straw could be fermented (without drying) to a liquid fuel such as alcohol with a net energy yield of around 1.5 million kcal/acre plus by-product material for feeding ruminants. This last figure, equivalent to 36 gallons of diesel fuel, is higher than the liquid fuel consumed/acre for all farms except pig and poultry, and is over 50 per cent higher than the consumption for dairy and cereal farms. With a judicious mixure of fermentation and direct straw-burning, including burning to generate power, and with animal wastes providing methane or nitrogen, phosphorus and potassium, it seems entirely probable that many farms might become self-reliant for all fuels and power, and would need to import energy only in the form of some fertilisers, machinery and other technical equipment, and sprays".

The super-farm free-enterprise technology is not without its own socio-economic problems. A recent study on the causes which led to farmers' protest in the State of Kansas in the United States indicates that uncertain farm prices in a time of inflating farm costs is tending to get farming resources concentrated into fewer hands and thereby lead to a decline of the rural economy and society. This study also showed that while farmers of Kansas State were ideologically committed to "the free market concept", they favoured such non-market solutions as target prices, favourable loan rates, production controls and collective bargaining. The primary need of the system was identified as an yearly orderly marketing programme.

Under the large mechanised farming operations, the profit per farmer will obviously be high. For example, according to USDA, one American farmer feeds 56 people and by this yardstick the American farmer can be stated to be most productive. But when we measure productivity in terms of land or capital or energy, this superiority is no longer true. This is where small farms have both an advantage and an opportunity.

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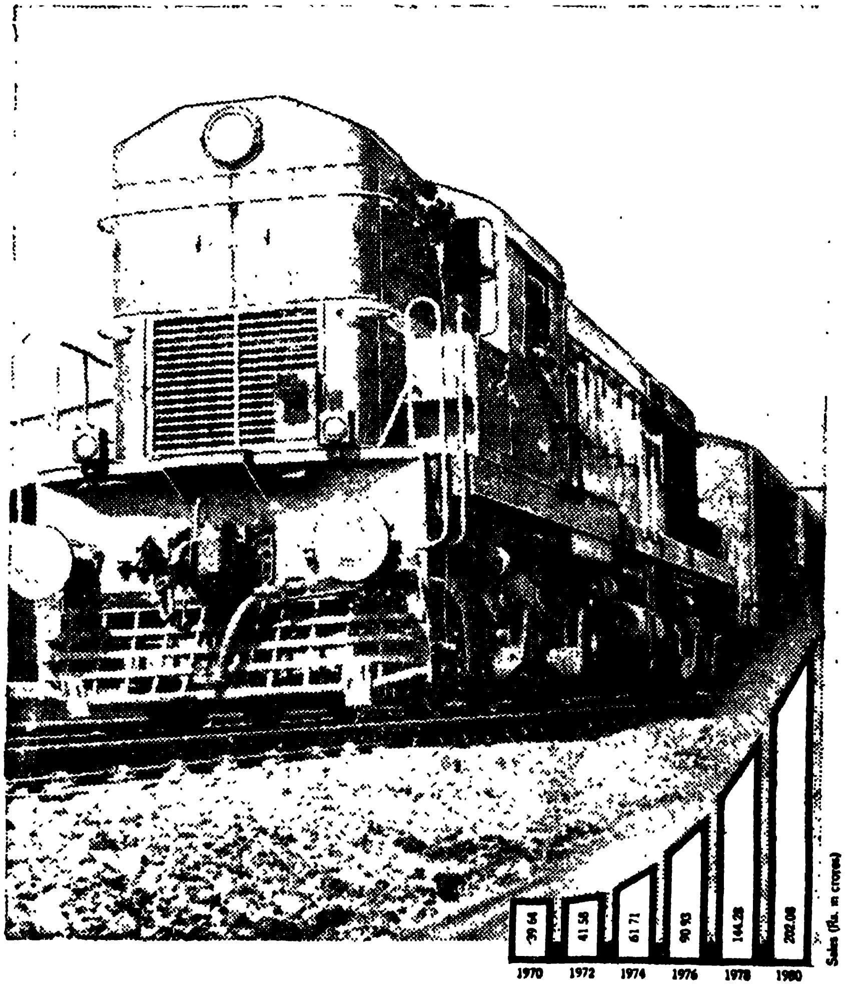

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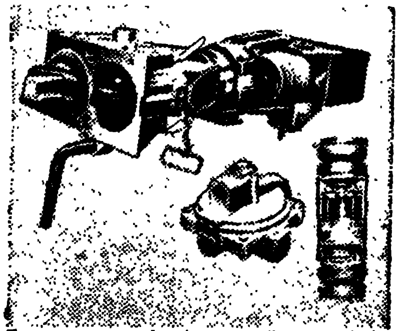

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Rural Development: New Approach

S. Viswanathan writes from Madras

THERE HAS been no dearth of schemes on rural development. Some shape to this concept was given with an amount of seriousness hardly some six years ago. C. Subramaniam as Minister for Finance provided sizable funds under the integrated rural development programme. The limitation of commercial banks in effectively catering to rural needs was also realised and the setting up of regional rural banks was thought of.

But the real push for committing sizable resources for rural development came under the Janata regime. Mr Charan Singh was largely instrumental for this shift in policy with a specific rural bias. Then followed a plethora of schemes by Government departments both at the Centre and the State, commercial banks, dairy cooperatives and even private companies. The adoption of villages was the mod thing.

Pet Ideas

Unfortunately in the Indian set up. any such concept is approached by a vast number of agencies often at cross purposes. Every agency has its own pet ideas. Remember C. Subramaniam backing up the Council of Scientific and Industrial Research in adopting Karimnagar in Andhra Pradesh and Chandrapura in Maharashtra for integrated rural development. The army of scientists under the able leadership of Dr Nayudamma, the then Director-General of CSIR, spent lot of time, energy and money in maximising the use of local resources and in applying science and technology to improve the standard of living of a typical rural district. There was much promise of such a scheme, perfected through laborious and time-consuming efforts, capable of replication on the national scene. It was expected that by the early Eighties at least a few districts in each State would have been modelled on the Karimnagar experiment. But, alas ! The Janata Government had its own ideas on CSIR and rural development and one did not hear much about the once promising Karimnagar experiment.

And now commercial banks are on a spree. The State Bank of India, as the largest bank in the country, is naturally in the vanguard of such an experimentation. It set up special agricultural development branches to specialise in rural banking; these also offer expert guidance in agricultural operations, animal husbandry....The guidelines of Reserve Bank, translating the policy framework of the Government, also laid specific emphasis on meeting rural credit needs. There are specific guidelines today, for instance, on ensuring a reasonable credit-deposit ratio for rural branches; for increasing the proportion of credit to small and marginal farmers. State Bank of India, for instance, assists some 25 lakh farmers in 72,750 villages and the credit extended is around Rs 1200 crores. A great deal of refinement has been brought about in identifying bankable propositions in rural areas.

It is widely being acclaimed and rightly so that the concept of banking has changed from class banking to mass banking. This is understandably characterised as innovative banking. In this, lot of emphasis is also given on improving the lot of tribals, slum dwellers, victims of calamities, the physically handicapped, orphans and the like. The emphasis is on employment, especially self-employment.

In another innovative experiment, the Indian Institute of Technology, Madras tries to tackle this problem with an approach drastically different from the conventional. It was outlined at a function recently organised to mark the handing over of a grant of Rs 4.53 lakhs from the Research and Development Fund of State Bank of India, to the Centre for Rural Development of the IIT, Madras. The grant would support a project for development of bio-gas technology for rural application.

The IIT took from the Tamil Nadu Government 53 hectares of land in the outskirts of Madras City, for starting the Centre for Rural Development (CRD). The land, low-lying and water-logged, was uninhabited, uncultivable and totally unused. The aim was to convert this into a habitable asset.

Improved Norms

Professor P.V. Indiresan, Director of Indian Institute of Technology, explained IIT's approach towards rural development which questioned the assumptions and hypotheses that are familiar and that have been the bases for action hitherto. I could see the discomfiture of bankers present when he sought to demolish several of the accepted hypotheses. Important among these are his questioning the objectives of the maximisation of employment and the stress on self-employment. For a head of an institution of technology, the contradiction involved in maximum employment and maintaining efficiency in performing a job was evident. For an engineer-manager the concern will be to employ the least number of persons for a given job by ensuring high productivity. He said the approach should be to maximise employment in an entire system using carefully the multiplier effect of employment. At Narayanapuram, for instance, they kept a target of providing employment to about 300 persons. About a 100 of these could be given active and productive employment. The remaining could be used for providing the services that would be required in a civilised society such as water supply, waste treatment, running of schools, maintaining roads, energy....The present attempt to look at the problem with just provision of jobs to all and sundry, he felt, has not been delivering the goods.

Prof Indiresan questioned the wisdom of tackling the problem of employment through the provision of self-employment. The approach of commercial banks is largely to induce the unemployed or the marginally employed agriculturer labourer to take to some sort of self-employment.

Concept Questioned

Prof Indiresan said that it must be recognised that there are certain limitations in the intellectual and other capabilities of individuals to organise enterprises on their own. Organisational capability is not seen in all individuals. He questioned the wisdom of the Government providing the seed money followed by banks making good the balance funds required and asking the individual to set up some business of his own and go and be prosperous. He put forth the other point of view in which the problem could be solved by using the rural unemployed as just a wage employee in project in the hands of a centralised management. Over a period of time this can lead to a participative system of management through the evolution of leadership qualities among the rural folks. Prof Indiresan also questioned the concept of adopting villages. Already a certain structure exists in the villages. "Any attempt on the part of outside agencies will only disrupt this structure" he said.

An audio-visual presented by Prof Indiresan explained the salient features of this approach. In the uninhabited area the CRD has introduced a system of development with several projects which are well-integrated. The emphasis has been on exploitation of locally available resources; utilisation of waste material of one project as raw material for another; development of decentralised energy systems; transfer of skills to village level workers; increasing productivity and providing functional literacy. The programme is designed to demonstrate the application of modern technology to develop a high quality of life and standard of living. The scheme should be commercially viable in the sense that it could be profitably operated with bank loans at normal rates of interest and that it should be replicable.

The CRD identified brick-making as a profitable proposition for the area with its rich clay soil. It proposes to have a production of 35 lakh bricks in a year.

The soil required for brick-making will leave large pits which are proposed to be converted into fish-ponds for culturing fish and prawn. The energy requirements on brick making are to be met by the bio-gas plant for which State Bank's grant is to be used.

The IIT will be working on evolving methods to scrub bio-gas to remove H_2S and CO_2 so that its thermal efficiency can be increased further. It is putting up a small plant to develop technological know-how about scrubbing efficiencies of various solvents. The bio-gas will use animal waste, kitchen waste and water hyacianth and will be used for direct cooking and also to operate a 3.5 KV generator for other applications. A dairy farm will naturally provide the animal waste required for producing bio-gas.

Inter-linked Services

The CRD has also set up a paper recycling plant, a rice mill, a bakery and a printing press. They are inter-linked and provide service facilities to each other. The Centre also has a carpentry section, a welding section and also a section for training people in electronics. By September end there were 125 employees and 150 trainees involved in eight different projects. They will be gradually trained to tackle high productivity jobs.

The CRD has obtained a loan of Rs 40 lakhs from the United Commercial Bank at the commercial rates of interest and Prof Indiresan said the Centre has been able to service the loan. His approach was that such experiments must be commercially sound and should not be run as welfare projects with recurring aid.

The IIT experiment provides a refreshing contrast to the approach evolved in recent years. But ultimately its success depends on its capability for replication. Here one can have genuine doubts about the availability of expertise to conceive and operate such integrated schemes having wage employment as the basis. We do not just have the calibre and expertise of the type IIT has with an annual budget exceeding Rs 10 crores, to manage such schemes in a large number of villages elsewhere.

HEC on Road to Recovery?

THE HEAVY Engineering Corporation (HEC), at Ranchi, which has been one of the biggest losers in the public sector, can be expected to turn the corner soon, thanks to endeavours being made to augment the capacities in the steel, coal and power sectors. Till last year, the order book of the corporation, indeed, was very lean and it had to remain content with only small contracts flowing in. The situation has dramatically changed in the recent months.

The HEC has been asked to supply about 77,000 tonnes of equipment and technological structurals for the Vishakhapatnam Steel Works. This Rs 250-crores contract —the largest received by the HEC so far—has boosted its order book to over Rs 615 crores. Around 20,000 tonnes of supplies are to be effected in the first phase of the steel plants implementation and the remaining 60,000 tonnes during the second phase. Project monitoring system is being introduced to keep the HEC fully posted with the requirements of materials at different stages of implementation of the Vizag plant. To be executed over a period of four years, the order is for equipment for coke ovens, sintering plants, blast furnaces, steel making shop, continuous casting machines, handling and finishing stands, sophisticated heavy-duty cranes (aggregating to approximately 56,000 tonnes) and technological structurals (21,000 tonnes). As the technical collaboration arrangement for the Paradeep steelworks too has been tied up and steps are being taken to rehabilitate or modernise the other integrated steelworks in the country, the HEC can well look forward to regular substantial flow of orders.

The going in for super thermal power stations has provided numerous jobs for the HEC : so also the coal development programme. The corporation is manufacturing excavators for Coal India. There are as well prospects of securing numerous heavy engineering jobs from Western Europe.

Improved Tempo

Both the HEC and the Heavy Machine Tools plant, a part of the HEC complex, have been able to improve capacity utilisation in the recent months to around 60 per cent. The orders received from the Vizag steel plant should help raise capacity utilisation further. It is only to be hoped that the improvement in the tempo of activity will not only be kept up but also accelerated.

The financial viability of the HEC is also being improved through other means. Exemption has been granted to it for payment of interest on loans up to 1985. This will result in staying of the interest burden during the current year alone to as large an extent as Rs 22 crores. Conversion of some loan into equity too is stated to be under consideration. This will help in bringing down the interest burden from the longer term point of view.

Along with the placing of Rs 250 crores worth of orders on the HEC, an agreement has been signed by the Vizag Steel Plant authorities with the Soviet Union under which the USSR will supply, besides construction designs, plant equipment, technological structures, etc., aggregating to a value of Rs 196 crores. The equipment supplies totalling 37,143 tonnes include major components of coke ovens, blast furnaces, sintering plant, steel melting shop No. 1, and continuous casting equipment for the first stage. Technological structures to the extent of 9,789 tonnes and special refractories to about 30,400 tonnes too are to be supplied by the Soviet Union. The Rs 196 crores cost is to be financed to the extent of Rs 153 crores from the credit granted to India by the USSR under the Indo-Soviet agreements on economic and technical cooperation signed in 1977 and 1979. This credit is to be repaid over a period of 17 years and carries an annual interest of 2.5 per cent. The balance Rs 43 crores expenditure on these supplies will be financed by the Soviet Union under the trade agreement on deferred payment terms under which 15 per cent of the value of equipment would be paid in Indian rupees by the time it is despatched and the remaining 85 per cent also in Indian currency over a period of 10 years with an interest of four per cent per annum.

Estimated to cost Rs 3,000 crores, the Vizag steelworks is to be completed under the first phase to 1.4 million tonnes, saleable steel capacity by December. 1985, and to three million tonnes capacity by December, 1987. It is designed to make essentially shaped long products such as bars and rods and other merchant products, structurals and the universal beams (to be manufactured for the first time in the country).

Outlook for Blended Fabrics

AN INTERNATIONAL textile conference, organised by the Textile Association (India), was held in Bombay in the third week of November. The theme of the conference appropriately enough was 'Blended Textiles' since the shift began from cotton to synthetics, a virtual mini-revolution has taken place in clothing requirements. This is as it should be. World production and consumption of raw cotton, which was around 6.65 million tonnes in 1950 after increasing to 13 million tonnes in 1971, has remained stagnant. It was 14 million tonnes in 1979 even after 19 years. It is in this context that production and consumption of man-made fibres assumes importance. It went up from 1.68 million tonnes in 1950 to 8.14 million tonnes in 1970 and further to 13.99 million tonnes in 1979. The share of man-made fibres in world output of textile fibres, thus rose from 18 per cent in 1950 to 47 per cent in 1979. The expectation is that by 1990, world fibres consumption would exceed 46 million tonnes, with man-made fibres accounting for 58 per cent.

What is noteworthy is that the new trend is applicable not only to the developed countries but developing countries like India producing traditional cotton fibres who considered for a long time synthetic fibres as 'luxuries'. But this could not go on indefinitely. With growing population and chronic shortage of natural fibres, the per capita consumption of textiles in our country has not only not improved, but actually gone down. At present it is around 16 metres (2.3 kg) of cloth. This is in sharp contrast to 22.2 kg. in United States, 14.9 kg. in the UK and 13.4 kg. in the Soviet Union. It is clear that we cannot depend on cotton alone for increasing the effective per capita consumption of textiles. Synthetic fibres are bound to assume greater importance. Their record in a relatively short span of just ten years has been impressive. Production of mill-made blended and mixed fabrics has increased from 87 million metres in 1970 to 984 million metres in 1978. Similarly, it has increased from 62 to 765 million metres in the decentralised sector during this period.

T.T. Vijayaraghavan writes from Bombay

Mr Arvind N. Lalbhai, President of the Federation of Indian Chambers of Commerce and Industry, in his inaugural address at the conference rightly focussed attention on the important role that synthetic fibres can play in the textile economy of our country. This has been buttressed by the findings of a report on "Consumer Purchases of Textiles, 1979", published by the Market Research Wing of the Textile Committee. The report shows how there is an increasing shift towards non-cotton and mixed and blended fabrics. This is due to a large extent to their superiority over cotton in durability, easy care properties, etc.

The report has revealed that while the per capita consumption of cotton textiles declined marginally from a level of 11.60 metres in 1978 to 11.46 metres in 1979, the share of non-cotton and mixed and blended fabrics went up from 1.99 metres to 2.12 metres. What is significant is that even the rural population has been switching to increased use of non-cotton and blended fabrics. Even among blended fabrics, it is polyester that is gradually gaining supremacy.

Blending with Cotton

Mr Lalbhai argued that though the production of cotton-viscose, cotton-polynosic blended fabric may be cheaper than polyester-cotton blends and can be sold at the prices of pure cotton goods, it had some limitations. In view of poor durability, wet strength, poor wash and wear qualities, etc., of the viscose, this cloth is less durable than pure cotton or polyester. It was, therefore, desirable to blend either cotton or viscose with polyester, preferably in 50-50 or 67-33 proportion, to supply fabric with better quality and durability on a mass scale. This was well accepted and suited for shirting, suiting and dress material. According to an estimate of the Working Group on Synthetic Fibres, the requirement of cotton will be 102 lakh bales by 1987-88. Judging by the past trends, it is difficult to raise the production of cotton substantially from the present level of 78 lakh bales. This means that the gap will have to be bridged by synthetics. Increased use of synthetics will save not only cotton —incidentally the land available can be used for growing more food—but also help to produce cloth acceptable to the consumer at economical price.

But this would be possible only if the cost of synthetic fibres is brought down. Mr Lalbhai pointed out how the cost of the major raw material DMT, required for manufacturing synthetic fibres is more than twice the international price. The scale of operation of fibre manufacturing plants is also quite low at around 6,000 tonnes per annum and even after expansion their capacity will be around 10,000 to 12,000 tonnes per annum. Thus, our fibre plants are very small compared with those of overseas producers with 100,000 tonnes annual capacity. While the scope for reduction of cost here may be limited at present, there is another field where there are considerable possibilities.

The high price of our polyester blended fabrics is due to Government levies at different levels. While there is no excise, sales-tax or other levies on raw cotton, there is a duty of Rs 45 a kilo on polyester fibres in our country and after adding this to its ex-factory price of Rs 42 per kilo, the selling price comes to Rs 87 per kilo. The mill cost is still higher at Rs 90 per kilo if we add sale- tax, octroi, etc. The international price of polyester fibre is about Rs 16 per kilo which is just on par with our domestic raw cotton price, which is Rs 19 per kilo, for 48s or 50s count used in 67/33 standard blending. The incidence of fibres and yarn duties together works out to as high as Rs 90 per kg. of fibre used in popular blend of 67:33. This naturally posed a serious constraint to the Indian textile industry to increase the production of polyester blended fabrics on mass scale.

Multi-Fibre Approach

One of the ingredients of the integrated textile policy announced earlier this year is the stress laid on the multi-fibre approach even while granting the dominant position to cotton. But the implementation of the policy has been vitiated by failure to readjust the duty structure on man-made fibres and yarn, something which forms part of the recommendations of the Working Group on Textiles for the Sixth Plan. The result is that the industry's efforts to go in for enhanced consumption of man-made fibres has been frustrated. Retionalisation of excise duty has been suggested by several committees like the L.K. Jha Committee, the Lavraj Kumar Committee and the S.S. Marathe Committee. They have all drawn pointed attention to the fact that the high rate of excise duty has restrained the demand for polyester denying many advantages of this fibre to cloth users. Since at present one-third of the cost of the fabrics is accounted for by duty alone, a realignment of the duty structure is called for.

While a little more understanding on the part of the Government of the problems in manufacturing synthetic fibres and blended fabrics is called for, Mr Lalbhai did well in underlining the role of the industry and especially textile technicians. They have to keep abreast of the latest developments and technology and give serious thought to the future product mix and avoid especially haphazard blending. The techniques and equipments used for over a century on wool, cotton and other natural fibres were initially applied to synthetics. They are still handled on the same equipments with the same techniques as natural fibres. But it has been now realised that they have different processing requirement with different percentage of blendings for different fibres. This needs to be critically examined by the technicians. They have also to play a crucial role to ensure satisfactory performance of these fibres during mechanical and chemical processing under our inferior machine and atmospheric conditions. The Textile Association of India and other Research institutes, therefore, would do well to initiate suitable training programmes for educating technicians in the new production disciplines arising out of the use of multi-fibres.

During the conference, 36 papers were presented relating to varied aspects of technology of producing and processing blended fabrics. At this conference held by the Textile Association, distinguished person in the textile industry were honoured. The recipient of honorary awards this year are : Mr Suresh Mehta, head of the Star Group of companies (Honorary Member), Mr Kanti Kothawala, Chairman of the Textile Associa-

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tion (India) and President of its Bombay unit which hosted the conference (Service Medal) and Mr B.V. Bhat, Executive Vice-chairman and Managing Director of Calico Group of Textiles (Honorary Fellowship).

Jute for Nationalisation?

THE WEST Bengal Labour Minister, Mr Krishna Pada Ghosh, said in Calcutta on November 18 that he had sent a proposal to the Central Government for "immediate nationalisation" of the jute industry in the State. He remarked that the interests of the jute growers and mill workers could not be protected under the private management. On some previous occasions also Mr Ghosh had urged a similar step.

New Delhi, of course, is not going to oblige the Labour Minister by nationalising the jute industry. But it seems odd indeed that the representation to the Centre on this subject should be made by a Minister rather than by the State Ministry. It may be that there are no differences within the Ministry on nationalisation. But has it considered the implications of its constant threat to the jute industry about its being taken over ?

The industry's unwillingness to pay more than 8.33 per cent bonus and agree to the new grades and scales of pay as well as work-load have upset the State Government and the Labour Minister in particular. The tripartite meetings held recently between Mr Ghosh, representatives of the jute workers' unions, and those of the Indian Jute Mills Association failed to come to an agreement on these issues. But is nationalisation the answer ? Mr Ghosh said that "the industry could be saved only if it is nationalised". He complained that the industry was adopting a rigid stand and pointed out that if the workers resorted to strike, the State Government was committed to support them. It would seem therefore that none of the three parties involved in the dispute was willing to show a flexible attitude. Mr Ghosh suggested that if the mill owners were unable to run the industry, they should hand it over to the Government. But is the latter confident of improving the industry's viability without taking effective steps to introduce measures of nationalisation and improve labour productivity ?

The jute industry has been facing an uncertain outlook because of the unfavourable export prospects and the unhelpful attitude of the Government of India. The concessions and incentives offered by the latter from time to time have not had the desired impact in strengthening the industry's competitive capacity because of their half-hearted nature. It is, of course, true that the industry has not shown sufficient seriousness in implementing the scheme of modernisation nor has it adopted an imaginative and sympathetic approach in dealing with the genuine grievances of the workers. But nationalisation or the threats thereof will hardly help to give a fair deal to labour and the farmers or a strong fillip to the industry's revival. From the point of view of West Bengal's economy, such a radical step may even prove disastrous in the long run.

R. J. Venkateswaran writes from Calcutta

The West Bengal Government strongly pleaded for the nationalisation of the coal when Mr Siddhartha Shankar Ray was the Chief Minister. But industries in West Bengal, including the power plants, continue to face difficulties in getting adequate quantities of coal of the right quality. West Bengal also has not been happy with the performance of the nationalised banks Dr Ashok Mitra has been vehemently criticising them for their failure to contribute effectively to develop the State's economy and on his initiative, the Government has requested the Reserve Bank for permission to start a bank of its own. The working of the cotton textile mills in West Bengal, taken over by the National Textile Corporation, has also been far from satisfactory. Why then does the West Bengal Labour Minister hold out the threat of nationalisation which will only cause greater confusion and uncertainty both in the industry and among its customers abroad ? The State Government should realise that the welfare of workers and farmers is indissolubly linked with that of the industry and therefore the former should refrain from actions which will create more problems.

New Industries in West Bengal

THE SYMPOSIUM on the future of engineering industries in West Bengal, organised on November 17 in Calcutta by the Association of Indian Engineering Industry (Eastern Region), was notable for the specific suggestions it made for setting up new industries in the State. The discussions revealed that there was immense scope for the development of a wide range of industries such as voltage and current transformers, vacuum brakes, heat treatment facilities, gears, forgings, non-ferrous castings, industrial knives, and so on. The background paper identified in detail the types of raw materials as well as the finance and the other facilities required for these industries. It indeed is surprising that although West Bengal has been a pioneer in industrialisation, and several major engineering units have been well established, the State continues to depend on outside sources for many essential items.

For example, the manufacturers of railway wagons have been obtaining their requirements of vacuum brakes from other States. It was suggested that at least three units in the small-scale sector, each capable of manufacturing 1000 sets of vacuum brakes per annum, could be set up in West Bengal. The control board and switchgear industry in the State has been getting its supply of voltage and current transformers mostly from Bombay, Madras and Delhi. The State also buys gears worth over Rs. 2.5 crores from outside. It is estimated that there is scope for setting up two units to produce 5,600 gears each per year. The Association has given details of several other new units that could come up in West Bengal which would help to create more opportunities for employment.

Mr Jyoti Basu, who inaugurated the symposium, suggested that the representatives of the Association should discuss with the concerned departments of the State Government as well as the Planning Board their proposals and problems. But how far will such dialogues really help to remove the impediments? The background paper said that "the single most important constraint today to the growth of the existing industries and new investment in the State is the acute power crisis". It added that this situation would deteriorate further in the next ten years. It identified "rampant labour unrest and indiscipline, coupled with the bad management of plants", as being responsible for the "abominably low utilisation of capacity". As regards labour relations, the Association revealed that in 1979 West Bengal occupied "the foremost position in terms of number of disputes as well as mandays lost".

Deficiency in transport has been another major hurdle to industrial development. The growth centres envisaged by the State Government in Kalyani, Kharagpar and Haldia have shown little growth mainly because of the transport deficiencies. The foundation stone for a bridge over the Ganges, connecting Calcutta and Kalyani directly, was laid in 1967, but this has not yet been completed with the result that the goods have to be moved over the bally bridge, which is both expensive and time-consuming.

The Government of West Bengal has, therefore, to adopt more systematic measures to create the right climate for promoting the growth of new industries. The Central Government and the public sector financial institutions, of course, should be more sympathetic to the difficulties experienced by industries in West Bengal. The Association pointed out that the industrial structure of West Bengal to-day was nearly the same as it was 20 years ago and that there was an imperative need to broaden the base by developing industries like electronics, fertilisers, chemicals and pharmaceuticals which were highly growth-oriented and fully conformed to the national objectives of the Five-Year Plans. New Delhi, therefore, has to play a more positive role in diversifying the industrial structure of West Bengal. Its policies in regard to industrial licencing, credit control, transport, export promotion and import substitution have to be so formulated as to bring about a more balanced development of the different regions.

Meanwhile, the Government of West Bengal should give careful consideration to the proposals made at the workshop. The Association said that "the Governments of Maharashtra and Gujarat have been making all-out overturns to 200 investors from other States by projecting the favourable environment prevailing in their States and giving every possible encouragement to them, but the same thing, unfortunately, cannot be said of West Bengal". Mr Jyoti Basu should ponder over the significance of this statement, coming as it does from the country's largest organisation representing the engineering industry.

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Declining Food Aid

OVER THE past 12 years, the volume of food aid in cereals has undergone very wide fluctuations, ranging from a high of 12.8 million tons in 1970-71 when supplies were abundant, to a low of 5.6 million tons in 1973-74 at the height of the world food crisis. Shipments of food aid since 1976-77 have stabilised at around 9 million tons, but they have remained below the target of 10 million tons recommended by the World Food Conference in November 1974. Although some fluctuations are inevitable, depending on recipient country requirements, the major cause of fluctuations has been the budgetary allocation of the major donor countries. Hence, when grain prices were low, larger quantities could be provided, but when prices were high, smaller quantities could be financed.

Food aid to developing countries is channeled through a wide variety of programmes administered by both private and public institutions. It is distributed on both a bilateral and multilateral basis. Apart from numerous private charitable organisations located throughout the world, the major public donors have been the developed countries of the Organisation for Economic Cooperation and Development (OECD).

Aid from the Organisation of Petroleum Exporting Countries (OPEC) as well as members of the Council for Mutual Economic Assistance (CMEA) has also increased in recent years. Except for those of Japan and the United States, most food aid programmes are in the form of grants rather than concessional if they provide for a "grant element" such as a low interest rate, a long maturity of between 20 and 40 years, and a grace period.

By far the largest food aid donor has been the United States. Most of the US aid has been distributed bilaterally through the Food for Peace Programme, more commonly known as Public Law 480 or PL 480. The United States is also the largest contributor to multilateral mechanisms, such as the Food Aid Convention (FAC), an instrument of the International Wheat Agreement, and the World Food Programme (WFP), a multilateral organisation administered jointly by the United Nations and the UN Food and Agriculture Organisation (FAO). Nearly every developing country has received food aid under one programme or another and US programmes and policies have evolved through the years as circumstances and relations between the US Government and those of other nations changed.

Major Donor

The total value of shipments under various programmes from July 1954, when PL 480 was instituted, to December 1980 has amounted to over $ 34 billion. Of this, concessional sales have accounted for about 62 per cent of the total, donations through voluntary relief agencies and WFP have claimed 20 per cent, and the balance was distributed under mutual security aid and through barter for strategic materials. The total value of all Government-financed programmes has fluctuated from slightly less than $ 1 billion in fiscal year 1974 to over $ 1.5 billion in fiscal year 1977. The value share of Government-financed programmes has ranged between four and seven per cent of total agricultural exports since 1973. Shipments of food aid in cereals have averaged about 5.6 million tonnes annually in the last six years, or about 64 per cent of total food aid shipments in recent years, with the United States as the leading donor. The principal commodities provided have been grains and grain products, fats and oils, and dairy products.

The US food aid programmes—both bilateral and multilateral—are designed to meet the basic human needs of less developed countries, promote equitable economic growth, and develop markets for US products. In general, food aid is provided only when adequate storage facilities are available and when the distribution of food aid does not result in a significant disincentive to producers in recipient countries nor interfere with usual marketing requirements (i.e., normal commercial imports).

Food for Peace

The bulk of US food aid is provided under the Food for Peace Programme, mostly on a bilateral basis to friendly countries. It is provided on a concessional credit basis and on a grant basis through private voluntary agencies and the WFP. Recipient countries must undertake self-help measures aimed at expanding food production and improving food storage and distribution facilities. The loans, which are repayable mainly in US dollars, are considered concessional since they are given at very low interest rates (2 to 4 per cent) over a period of up to 40 years, with a grace period of between 2 and 10 years.

PL 480 requires that not less than 75 per cent of all food aid shipments under Title I be allocated and sent to countries which meet the poverty criterion of the International Development Association (IDA). The criterion has been raised from per capita GNP of $ 550 or less in fiscal year 1978 (year ended September 1978) to $ 580 in FY 1979 $ 625 in FY 1980, and $ 680 in FY 1981. At present, 15 per cent of Title I can be programmed under the newly introduced Title III which essentially transforms the loans provided under Title I into grants. Title I has accounted for 71 per cent of all commodities shipped under PL 480 programmes and 62 per

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cent of total exports under government-financed programmes.

Other resources, mostly under development assistance and the Economic Support Fund (ESF), have also been used to furnish agricultural commodities to friendly countries. These resources have accounted for about 23 par cent of total US food aid in recent years. Approximately two-thirds of food aid under development assistance and nearly all under the ESF have been grants; the remaining one-third of development assistance was provided in soft loans, with concessional terms similar to those under Title I.

EEC's Contribution

The European Economic Community (EEC) as a group has been the second largest donor of food aid. Most of this aid is distributed multilaterally either under the food programme of the Commission of the European Communities (CEC) or through the WFP. All CEC aid is provided in the form of grants. Dairy products have accounted for about two-thirds of total CEC aid, and the remaining one-third is composed or cereals, most of which are contributed under the FAC. Other major OECD donors have been Australia, Canada, and Japan, all of which have provided most of their aid on a bilaterial basis. Apart from the above mentioned CEC programme, the other two main multilateral food aid programmes are the WFP and the FAC.

The World Food Programme was instituted in 1962 as a joint activity of both the United Nations and the FAO. First launched on an experimental basis for three years (1963-65), it was given permanent status in 1965. Since its inception, a total of $3.4 billion has been made available to 112 countries. All of this aid has been on a grant basis. Approximately $2.5 billion in food commodities has been distributed as a wages fund for labour-intensive development projects designed to increase agricultural production and improve the living standards of the very poor. The resources of the programme come mainly from voluntary pledges, from donors to the Food Aid Convention, and from interest income accruing from liquid holdings. Transport and insurance services have also been provided by some donor countries. By the end of August 1981, 70 donor countries had pledged a total of $711 million, and the target for the 1981-82 biennium is $1 billion.

Apart from its normal activities, the WFP is also responsible for administering the International Emergency Food Reserve (IEFR). The latter programme, which was established by the UN General Assembly in 1975 to meet emergency relief requirements, calls for voluntary contributions toward an annual grain target of 500,000 tons, but so far this goal has not been reached. Contributions have increased from 81,000 tons in 1976 to 142,000 tons in 1977, 327,000 tons in 1978, 341,000 tons in 1979, and 396,000 tons in 1980. The Director-General of FAO has recently proposed to make the IEFR a truly international convention with binding commitments.

Food Aid Convention

The Food Aid Convention, instituted in 1967 as the other major component of the International Wheat Agreement of that year, was formally renewed in 1971 and 1980. Under the first two Conventions (1967 and 1971), donor countries were committed to contribute annually a total of 4.2 million tons of grains, or the cash equivalent. Grains covered by the programme (wheat rice, and coarse grains or their products) had to be suitable for human consumption. The minimum annual commitment was raised to a total of 7.6 million tons under the 1980 Convention. Contributions under the FAC may be made bilaterally to recipient countries or multilaterally through the World Food Programme. Since the Convention's inception, over 54 million tons of food aid (in terms of wheat equivalent) have been supplied. The amounts of food aid have been generally maintained despite very high prices in some years.

Among the CMEA countries, the USSR has provided aid to several countries in Eastern Europe and South-East Asia. In addition, the USSR has made wheat loans of two million tons to India and 200,000 tons to Bangladesh, both in 1973-74, these loans were repayable in kind.

Most food aid programmes were instituted largely on an ad hoc basis at a time when grain supplies were abundant. In fact, one primary aim of such programmes was to distribute in an orderly manner the burdensome surpluses that had for the most part accumulated on account of price-support programmes in developed countries. Food aid in cereals has proved to be an effective means of utilising additional resources for redressing the needs of food-deficit countries.

Food aid has played an important role in providing additional real resources to developing countries that were at times unable to cover their minimum food requirements from either domestic production or commercial imports. The volume of food aid, however, has not kept pace with the ever-rising import requirements of developing countries. Over the last ten years, the volume of food aid in cereals has actually declined by over three million tons, while total cereal imports of developing countries have more than doubled to over 100 million tons. If present trends in developing countries are maintained, cereal imports into these countries will continue to increase. As noted above, the targets of both the FAC and the IEFR have not yet been reached. Hence, food aid is likely to cover a declining proportion of developing countries import requirements.

Source: *IMF Survey.*

UK : Planning in Public Expenditure

THE CHANCELLOR of the (British) Exchequer announced in his Budget statement on 10 March 1981 that the Government had decided to make a major shift in the planning of public expenditure from 'volume' to cash. He said that in the annual reviews of expenditure the Government would, from the outset, conduct their examination and discussion in terms of the cash that would be available. The change is being introduced in this year's survey, covering 1982-83 to 1984-85.

The annual survey system for planning

public expenditure over the medium term has been in use for 20 years. It will continue. It followed the Plowden Committee's recommendation that: "Regular surveys should be made of public expenditure as a whole, over a period of years ahead, and in relation to prospective resources; decisions involving substantial future expenditure should be taken in the light of these surveys." The change is not in the objectives of the survey, but in the price basis used in it.

For many years, the annual survey was conducted in constant prices, frequently, and rather loosely, described as 'volume'. Recently the prices used were broadly those of the autumn before work on the survey started: that is, those of a year before the time when Ministers took the main decisions, and two or more years before the period to which the plans were directed.

The Advantages

Planning in constant prices has some advantages. It relates directly to many of the operational decisions on recruitment, building, physical, procurement and so on by those managing programmes. The constant price series is a tolerably good measure of the physical inputs that will be available to the managers (numbers of teachers or nurses, fuel for heating, hospitals built, or tons of concrete for roads). Its use may help debate on the merits of changes in programmes of expenditure, although it is a measure only of the input to and not of the output from those programmes.

For the first decade or more of the survey system, working in constant prices fitted well with what was then seen as the main role of macro-economic policy—demand management. The emphasis in the public expenditure surveys was on planning 'real' resources for public expenditure within the framework of real resource projections for the economy as a whole.

But it became increasingly apparent that the use of constant prices also has significant disadvantages for planning and control. These disadvantages have become greater in recent years with the higher and more variable rates of inflation and with the increasing emphasis of successive Governments on the control of monetary conditions. It is the actual 'cash spend' by Government which must be considered in relation to, and made consistent with, the Government's objectives for taxation, the borrowing requirement and the money supply.

The first significant change came in 1976 with the widespread use of cash limits. The recent acceleration of inflation and, in particular, the construction boom of 1973-74 had showed all too clearly how old volume systems of planning and control could allow the cash cost of public expendtiure programmes to rise more than expected during the year, if inflation were greater than expected. Such a rise in cash spending tended to increase Government borrowing and so worsen inflation generally. The same could apply within a programme. Under the volume of planning and control there was no automatic reduction in the volume of a programme—say for construction—if the prices for that programme rose rapidly. If prices paid by a department rose, more cash was made available to enable volume to be maintained; this overrode the normal system of supply and demand under which such higher prices could be expected to lead to lower demand by the department.

Cash Limits

Cash limits were therefore introduced, as a control system grafted onto the volume system of planning. The cash limits for the year ahead were based on the plans in the survey. But the cash limit once set was the determinant of expenditure during the year, not the volume plan. This required the plans to be revalued from the constant 'survey prices' to the expected prices for that year for the cash limit. For instance, for 1981-82, the cash limits were based on the plans in the 1980 survey. The plans in 1980 survey prices, that is autumn 1979 prices, had to be revalued to expected 1981-82 prices. The average change was over 30 per cent.

Cash limits cover, directly or indirectly, about 60 per cent of total public expenditure. The rest is expenditure which, in the short term, is determined by demand. The main example is social security benefit payments, where, once rates of payment and criteria of eligibility are set, the amounts paid out depend on the number of eligible claimants.

Converting System

The new step is to convert the planning system onto a cash basis, bringing it into line with the control system. The advantages of cash planning are as follows:

(1) Ministers discuss the cash that will actually be spent, and therefore what will have to be financed by taxation or borrowing, instead of talking about 'funny money'—the numbers which could be misleadingly different from the resultant cash spend.

(2) Expenditure figures can be related more readily to the revenue projections, so that 'finance (can) determine expenditure and not expenditure finance.'

(3) Changes in public sector costs are brought into the discussion. The previous constant price system did not bring out the effect of, for example, the rapid relative rise in public service pay in 1979-80 resulting from the Clegg commission and other comparability awards. Nor, conversely, did it enable the planning figures to refleet the Government's stance on public service pay since then.

(4) Previously, the 'volume' plans—that is, plans in constant prices—were regarded by spending managers as entitlements, carried forward from year to year regardless of what was happening to costs. This meant that programme managers had little incentive to adapt their expenditures in response to increasing relative costs, except in the short term in response to the annual cash limits. For example, if a programme successfully absorbed a cash limit squeeze in one year by increased efficiency, this expenditure saving was not carried forward into future plans. The presumption now shifts in favour of maintaining planned cash expenditure, rather than a given 'volume' of provision regardless of cost.

(5) The decisions in the annual survey, as they relate to the year ahead, can be translated directly into the cash limits and estimates presented to Parliament,

without revaluation from one price basis to another.

To plan in cash, some realistic assumption must be made about inflation. In May 1981, the plans for 1982-83 and 1983-84, which have been expressed in the last White Paper in '1980 survey prices'—that is, broadly the prices of autumn 1979—were converted to cash in the following stages:

(i) Revaluation by the actual pay and price changes experienced between (broadly) autumn 1979 and 1980.

(ii) Revaluation from autumn 1980 prices to expected average 1981-82 prices, using the cash limit factors for 1981-82; six per cent for pay and 11 per cent for other prices.

(iii) Revaluation from 1981-82 prices to expected 1982-83 prices, using a provisional factor of seven per cent for all costs.

(iv) (For 1983-84 only). Revaluation from 1982-83 prices to expected 1983-84 prices, using an average factor of six per cent.

Average Factor

The 1981 survey extends to 1984-85 and, for the creation of plans in cash for that year, a provisional average factor of five per cent was used to get from 1983-84 to 1984-85 costs.

This provisional revaluation of the last White Paper to cash formed the basis of early work by officials during the summer on possible cash increases and reductions in the plans.

It was always envisaged that these provisional revaluation factors would need to be reviewed, and might be changed in the autumn. On September 15, the Government announced a revised choice of factors for 1982-83, in place of the single factor of seven per cent:

(a) Four per cent for public service pay (for increases from due settlement dates after the announcement), and

(b) Nine per cent for other public costs (for the increase between 1981-82 and 1982-83).

This change had little net effect on the overall cash total of planned public expenditure, but it did effect the distribution between programmes. The factors for 1983-84 and 1984-85 remained unchanged.

As stated in the announcement, the pay factor does not imply that all public service pay increases will or should be four per cent; some may be less and some be more. The pay factor is a broad measure of what the Government think reasonable and can be afforded as a general allowance for increases in pay at this stage of determining the provision from which the public service wage bill has to be met.

The above revaluation provides the starting point for the Ministerial decisions in the current survey. The final cash provision for individual programmes, and where appropriate, the cash limits and estimates for 1982-83 (including rate support grant), will follow from those decisions. Ministers' decisions will take into account proposals for increases and reductions in individual programmes. These are also in cash. Most proposals relate to changes in policy. But there may also be proposals to adjust the cash provision for particular programmes to allow, in whole or in part, for exceptional movements in costs. Any such proposal will be for discussion and individual decision. There will be a presumption, in contrast with the old system, that, where an increase in costs this year has been offset by increased efficiency, that saving from efficiency should be carried forward.

The change to cash planning should reinforce two desirable trends in the management of public spending programmes, by causing spending managers to think more about what level of service they can provide with any given amount of money.

The first is the continuing emphasis on value for money: as has been explained, the volume system did not supply any pressure to reduce the costs, since the volume of programmes was protected against rising costs.

The second is the need to assess what is being achieved, preferably quantitively. In the past, a volume series has too often been accepted by itself as a satisfactory measure of the output of a programme.

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Point of View

Consumer Electronics Industry : Challenges Ahead

R. B. L. Garg

Despite nearly three decades of its existence, consumer electronics industry in India has not been able to make its presence felt in exports and is far behind smaller countries like Korea, Taiwan and Hong Kong. The author calls for an integrated approach for the development of this industry so that the abundant skilled manpower could be profitably utilised and the industry assumes its proper role in the development.

CONSUMER ELECTRONICS play a significant role in economic, social and cultural transformation of people, besides serving as a barometer of a country's industrial progress. In a country with sizeable rural base such as ours, the importance of consumer electronics is all the more apparent due to its contribution in communication, education and entertainment. It was for this reason that the consumer electronics emerged as a vital tool on the India's industrial horizon. The history of electronics in India is essentially one of consumer electronics. During the 1950's the electronics industry was primarily oriented towards the consumer sector which continued to dominate the scene till 1960's. Even today when professional electronics has come to occupy a significant place in the country, consumer electronics continues to maintain tolerable rate of growth as compared to other sectors of the industry.

Consumer electronics can be split into two major groups—one, entertainment equipment group which includes items such as radio sets, TV sets, tape recorders, record-playing systems etc., and the other, consumer durables such as wrist watches, hearing aids, calculators, walkie-talkie transreceivers and the whole range of electronically controlled household gadgets. In India, however, consumer electronics mainly consist of entertainment equipment with transister radios as sheet anchor. Items such as calculators, wrist watches, household gadgets, etc., are yet to become popular, although they are being used increasingly by certain sections of the Indian society.

A glimpse of data would reveal that there has been rapid growth in the production of consumer electronics in the country during the last five years (Table I). From approximately Rs 50 crore worth of production in 1971, it rose to Rs 82 crore in 1975 and to Rs 211 crore in 1980. It may be pointed out that the compound growth rate of consumer electronics during 1975-79 was 22 per cent which was comparable with the compound growth rate of computers, control and instruments, although it was much higher than the average growth rate of professional electronics placed at 11.7 per cent. In 1980 too, consumer electronics made an impressive growth of 19.6 per cent with production jumping by Rs 31 crore over the previous year. A significant feature of the development in 1980 was the growth of the small-scale sector which accounted for about 60 per cent of the total production.

TABLE I

Production of Consumer Electronics in India

Year	Value (Rs crore)
1971	50.00
1975	82.00
1977	130.00
1979	180.00
1980	211.00

Source : Electronics Commission, New Delhi.

An item-wise study of consumer electronics reveals that although the production of most items increased, the sharpest growth rate was displayed by calculators (Table II). The production of calculators increased from barely 20,000 in 1975 to as high as 166,000 in 1979 and further to 191,000 in 1980. The production of tape-recorders also increased in a big way from 50,000 sets in 1975 to 179,000 sets in 1979. The estimated production of tape-

TABLE II

Production of Selected Itemsof Consumer Electronics in India

('000 Nos)

Item	1975	1976	1977	1979	1980*
Radio Receivers	2520	2980	3760	5130	5850 (14)
TV Sets	97	144	239	311	370 (19)
Tape Recorders	50	69	113	179	300 (69)
Calculators	20	67	76	166	190 (15)

*Estimated production Figures in brackets are percentage increase over the previous year

Source : Electronics Commission, New Delhi recorders in 1980 was little more than 300,000 thus recording 60 per cent increase over the previous year.

In the tape-recorders field, the small-scale sector recorded a fine performance, accounting for 90 per cent of the total production in 1980. The popularity of tape-recorders was largely aided by availability of pre-recorded music cassettes and marketing of low cost amplifier-speaker combinations sets by a number of small units. In the field of radio receivers, the production went up from 2.52 million sets in 1975 to 5.13 million sets in 1979. In 1980 the estimated production of radio sets was 5.50 million, thus recording an increase of about 14 per cent over 1979. It may be added that during 1980 the small-scale sector accounted for over 30 per cent of the total production of radio receivers, while organised sector suffered a 15 per cent reduction. Like-wise the production of TV sets has been constantly rising. It rose from 97,000 sets in 1975 to 311,000 sets in 1979 and further to 360,000 sets in 1980. In 1980 the percentage increase in the production of TV sets was 19 per cent over the previous year.

A study of export performance of consumer electronics would reveal that export of most items in the sector increased during 1975-77, but there was a steep fall in it in the subsequent years (Table III). The export of consumer electronics fetched as much as Rs 73.3 million in 1975 against the total electronics exports valued at Rs 190 million. The export of consumer electronics fell to Rs 69.2 million although the total exports of electronics increased to Rs 270.6 million that year. In 1977 there was a recovery when the export of consumer electronics brought foreign exchange worth Rs 82.5 million against the total exports of electronics at Rs 368.7 million. Probably 1978 and 1979 were the worst years from the point of view of export of consumer electronics as they fetched foreign exchange worth Rs 69.8 and Rs 32.9 million respectively. The total export of electronics during this period was Rs 395.7 and Rs 465.9 million. In 1980 there was further fall in the export of consumer electronics but it was only a reflection of general fall in the export of electronics to Rs 423 million.

TABLE III

Export Performance of Consumer Electronics

Year	Export in Rs Million
1975	73.3
1976	69.2
1977	82.5
1978	69.8
1979	32.9
1980	31.0*

*Estimated

Source : Electronics Commission, New Delhi.

Dismal Performance

On closer examination of production and export performance of consumer electronics industry, it would appear that India is still far behind many of the smaller countries like Taiwan, Hong Kong, South Korea. Electronics industry is the second largest industry in Hong Kong. Although it entered the electronics field around the same time as India, Hong Kong has an annual output of more than Rs 750 crore—a major part of the production belonging to consumer electronics. With electronics production of $ 30 billion (the share of consumer electronics being $10.5 billion) the industry has acquired third place in the economy of Japan. According to the comparable figures of 1977, India produced consumer electronics worth Rs 130 crore ($ 0.17 billion) while the total production of the USA, Japan and West Germany put together was worth as much as Rs 21,000 crore ($ 21.1 billion). By this reckoning it can be said that India's share of consumer electronics is neglibly small. It is also true of exports.

In fact, the consumer electronics industry, despite nearly three decades of its existence, is still underdeveloped. The main factors hindering speedy development of the industry are: high cost of production, low quality standard, poor marketing channel, lack of substantive incentives, etc. It is widely held that high cost of production has hit both domestic and foreign markets in a big way.

The main reason for sluggish demand for TV sets at present is their high cost of production which, among others, is due to high import duty. The main component of a TV set is picture tube which is in short supply as the domestic production (BEL being the sole manufacturer) is only 60,000 tubes per year against the domestic demand for 250,000 tubes. The gap is being met by imports, but due to higher import duty (which has been kept deliberately high to give protection to BEL) the price of TV sets assembled in India has got escalated very much. The same is true of other items of consumer electronics like calculators, radio-sets etc as they are affected by higher taxes whether customs duty or excise levy. Despite improvement in the quality of consumer electronics in the country, its Indian products face stiff competition from those of rival countries like Taiwan, Hong Kong, Japan, etc. Even the Indian consumers have a fancy for a 'foreign make'—be it a pocket transistor or a calculator or just a hearing aid. Unfortunately very little is spent by the industry on product development or technology refinement.

Widespread Ignorance

It is often said and rightly so that consumer electronics industry has been unable to make a dent on the world market. In some cases 'price' may be a factor, but mostly it is due to widespread ignorance about India's capabilities in the field of electronics. There is little wonder that despite abundant technical skills and expertise, India is still trailing far behind its South-East Asian neighbours which still dominate the most lucrative markets including the US. On the home market front even the industry has not been able to tap the rural sector (for radio receivers) fully where demand for entertainment equipment is fast picking up.

India has the advantage of an abundant supply of skilled labour and a well developed engineering base. It stands to gain from tie-ups in electronics in terms of both creation of job opportunities and the transfer of technology. The encouragement of tie-ups would help in improving the quality standards of consumer electronics which have further scope for improvement. Taiwan, which is well-known for quality and competitive prices, is inclined to set up joint ventures for manufacturing colour TV largely for export to third countries. It may be noted that the contribution of SEEPZ (which has as many as 37 units—mostly with foreign collaboration, exclusively engaged with export production) is still negligible in the export of consumer electronics (it exported only 0.10 per cent of consumer electronics goods of the total exports of Rs 19 crore during 1980-81). The Government may encourage reputed international manufacturers of consumer electronics by offering substantative incentives. When Sri Lanka and China can do it, why not India which has abundant supply of skilled labour and well-developed engineering base. In fact, serious thought will have to be given to foster this industry. The employment potential fo electronics, more particularly consumer electronics, is by far the highest among modern industries. An integrated approach to development of the industry will help in bringing the benefits of both increased employment and more foreign exchange which India needs badly at present

Improved Agricultural Technology and Employment Potential

Raj Vir Singh & Amrik S. Saini

The authors who are associated with the National Dairy Research Institute, Karnal, have in this article disproved the belief that the improved technology is only production oriented. They believe that the full exploitation of the employment potential through improved technology would help to reduce the gap between rich and poor, assist in eradication of poverty and reducing economic disparities.

THE IMPROVED agricultural technologies of foodgrain crops and milk production have shown a definite advantage of increasing output per unit of area or milch animal. However, doubts are expressed in terms of its employment potential. The present analysis is directed to examine the employment potential of improved technology of paddy, wheat and milk production. The data for the improved technology were collected from the demonstration unit of National Dairy Research Institute, Karnal and for existing technology from six villages around Karnal.

The production activities for which the employment potential of improved technology was examined, were foodgrain crops and cow—paddy and wheat, milch animal. Overall the human labour per hectare of paddy and wheat with improved technology was 1016 and 355 mandays, as against 629 and 330 mandays respectively for the existing technology. The higher yield of the crops was mainly attributed to increase the employment level in harvesting, threshing and winnowing operations. Similarly, in case of milk production, the labour utilisation was 27 per cent higher in improved technology as compared to the existing technology already adopted in the rural villages. Therefore, it may be concluded that the improved technology has potential for higher yields, in general, and more human labour absorption capacity, in particular. This would help to improve income and nutritional level of the rural poor and to bring social justice in the rural sector.

During the recent past, Indian agriculture has witnessed structural changes with introduction of improved agricultural technologies[1] comprising high-yielding seeds, chemical fertilizers, pesticides and improved water management practices.[2] Though there had been a great variation in the adoption of improved farm technologies still its impact on the overall production is praise worthy[3]. The production of the major foodgrain crops like wheat and paddy has increased from 11 and 35 million tonnes in 1960-61 to 35 and 54 million tonnes in 1978-79. The overall grain production in the country has increased to a level of 132 million tonnes as compared to 69 million tonnes in 1960-61.[4] Similarly, the improvement in milk production technology has been made through scientific breeding, feeding and management practices.[5] The milk production in the country has significantly increased from 21 million tonnes in 1963-64 to 27.5 million tonnes in 1978-79.[6] However, it has not kept pace with the increased human population due to which the per capita availability of milk has declined from 116 gms in 1961 to 108 gms in 1976 and to 98 gms in 1977.[7] In both the technologies of crop and milk there remains a wide gap in the actual production on the farmers' field and results obtained on the experimental station.[8] Though the new farm technologies have a definite advantage of increasing output per unit of the production unit, doubts, however, are expressed in terms of its employment potential.[9] A country like India where a large human population is unemployed or underemployed particularly in the rural sector, the employment potential of the programme has to be evaluated for its adoption. For successful implementation of the improved farm technologies programmes which are being followed at the Experimental Stations, it is essential that its *ex-ante* evaluation[10] is done with respect to its employment generation potential and feasibility technologically and economically.[11] The present analysis, is, therefore, an attempt in this direction to compare the human labour employment potential of the improved farm technologies i.e. crops and

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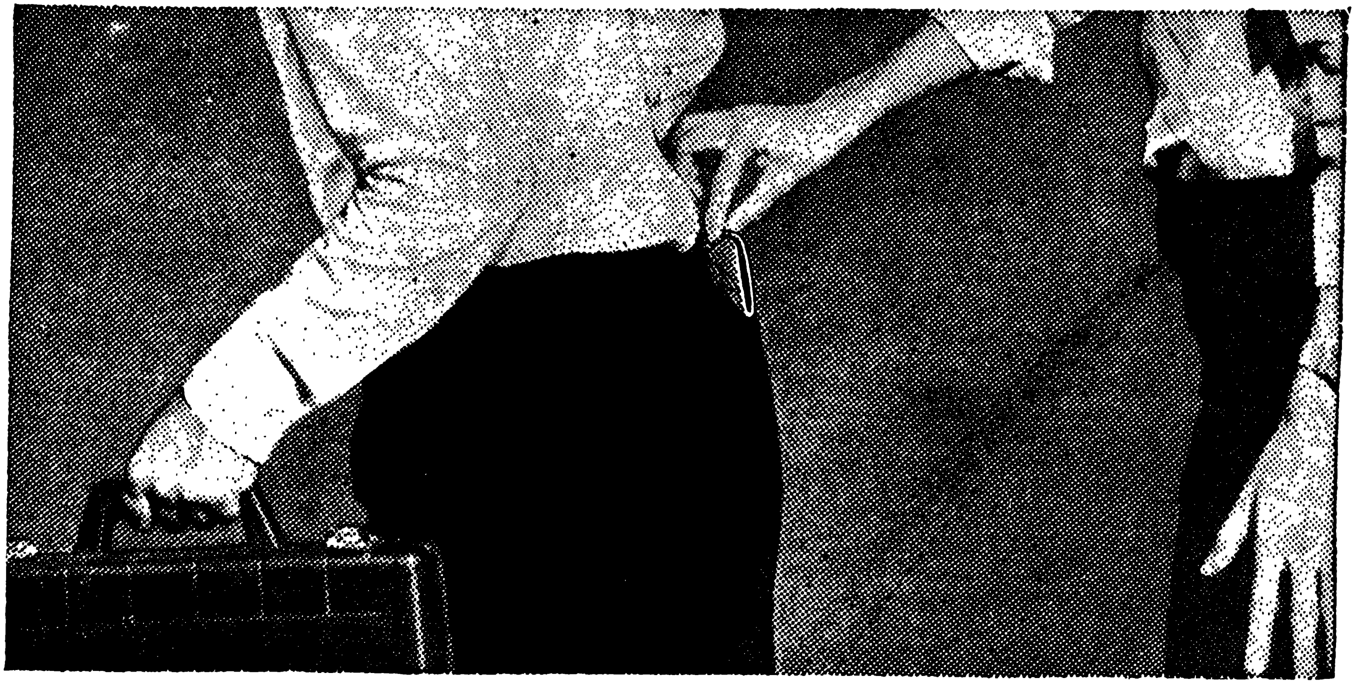

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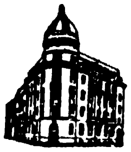

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milk production with that of the existing situation in the rural areas.

The improved agricultural technology of crop production has made a headway in wheat and paddy crops and the cross-breeding of Indian *Zebu* cow with exotic blood has shown a substantial milk yield increase per day and per lactation. Therefore, in the present analysis the employment potential for improved agricultural technology was examined for wheat and paddy crops and milk production through crossbred cows.

The employment and other relevant data for the improved farm technology were collected from the demonstration unit of the National Dairy Research Institute, Karnal. On this demonstration unit, six Karan-Swiss crossbred cows (Karan-Swiss, a cross between Sahiwal and Brown Swiss) (Nili-Murrah) alongwith their followers were maintained on one hectare of land. The ideal feeding, management and health care conditions were followed to raise these milch animals. On another one hectare of land, grain crops with rotation of paddy-wheat were grown using the recommended levels of the yield accelerating inputs. For comparison with existing technology being used in the rural conditions, six villages around Karnal city within a radius of 10 kms were randomly selected. The household population of each village was divided in to six strata viz. marginal farmers (upto 1 ha), small farmers (1.1 to 2.0 ha), lower medium farmers (2.1 to 4.0 ha), upper medium farmers (4.1to6.0 ha) and large farmers (above 6 ha) and the landless producers. Ten per cent of the households were finally selected at random from each stratum thus making 111 households in all. The collection of the operation-wise employment and other relevant data was done through specially structured questionnaire. The investigators stationed in the villages collected the data fortnightly.

The operation-wise as well as total employment potential of improved farm technology was examined for grain crops – wheat and paddy– and for cow, being a milch animal.

The major operations performed in chronological order for wheat and paddy crops are ploughing and planking, nursary raising and sowing, manuring and application of fertilizers, irrigation, harvesting, threshing and winnowing.[12] The

TABLE 1

Operationwise Labour Utilisation in Grain Production (Man hrs)

Categories/-technology-level	Wheat							Paddy							
	Ploughing & planking	Sowing	Fertilization & manuring	Irrigation	Harvesting	Threshing & winnowing	Total	Ploughing & planking	Nursary raising transplanting	Weeding	Fertilization & manuring	Irrigation	Harvesting	Threshing	Total
(a) Existing Technology															
Marginal	65.51	17.69	47.32	63.36	123.5	23.31	340.69	63.55	106.06	--	61.44	124.91	147.00	144.3	647.26
Small	59.77	18.69	36.83	69.87	120.0	22.13	327.29	50.84	93.0	—	17.47	121.30	145.5	143.5	571.61
Lower-medium	65.24	18.98	30.31	76.43	117.5	21.30	329.76	73.61	93.99	--	30.10	131.75	148.0	145.0	622.45
Upper-medium	76.59	16.91	36.00	80.52	120.0	22.11	382.13	62.43	98.97	—	27.39	142.07	156.5	150.5	637.86
Large	86.03	10.82	22.78	63.64	115.5	19.38	318.15	93.99	98.68	--	19.67	128.15	160.0	158.08	648.57
Overall	72.28	15.62	31.16	71.43	118.16	21.09	329.74	72.99	94.39	—	26.72	131.91	153.37	150.01	629.37
(b) Improved Technology	6.92	35.57	11.81	102.75	158.08	39.52	354.70	30.63	155.11	122.51	39.52	201.06	247.32	220.0	1016.15
(c) Change in Improved Technology over Existing Technology in (%)	—90.42	127.72	—61.93	44.71	34.16	89.00	7.56	—58.03	64.32	*	479.0	—52.42	61.25	46.65	61.45

*Percentage change in improved technology over existing technology could not be calculated as the operation is not done in the existing technology.

data for all these operations for the two crops were obtained and the average picture is presented in Table I. The per hectare use of labour taking all the operations together for wheat crop in the existing situation is 330 manhours. For the improved technology on the other hand the corresponding figure is 355 manhours showing about eight per cent increase over the existing one.

Proportionally, the maximum increase of the labour use in the improved technology is noticed for sowing operation as compared to that of existing situation. On the demonstration unit, the sowing is done following the scientific method and thereafter the bunding is done to divide the fields into smaller plots for better management of irrigation water. Due to application of more irrigation, the labour use in irrigation was also higher in the case of improved technology as compared to the corresponding figure for the existing technology.

Two Operations

The two operations worth mentioning where the existing technology has shown an edge over the improved technology in labour use were land preparation and application of fertilizers and manures. In the rural situation, where the existing technology is adopted, land is prepared mainly with the help of bullocks. On the other hand, at the demonstration unit, bullocks were not used at all for land preparation and tractor was the exclusive source of power for this operation. In villages, the farm manures are prepared with dung of the cattles and buffaloes remains the major source of the plant nutrients supplied by the farmers to the soil. This is prepared near the cattle sheds and it is transported to the fields in the he-buffalo carts which involves lot of human and animal power. In the field also the farm yard manure has to be spread with the help of human labour. On the demonstration unit, the farm yard manure is just prepared on the field itself and takes comparatively lesser time for its application. Moreover, chemical fertilizers, remain the major source of plant nutrients applied to the field and therefore it involves much less labour as compared to the application of manures.

In the paddy crop the picture with respect to the use of labour under two situation remaind more or less the same as observed for wheat crop. More specifically the labour use was 60 per cent higher in case of improved technology as compared to the respective figures for the existing technology.

For milch animals, labour is required for transportation of fodder from the fields, grazing and feeding, milking and milk sale and other miscellaneous operations such as cleaning the animals and cattle sheds, etc. The per day labour use for cow under two levels of technology is presented in Table II. To maintain an average crossbred cow, per day labour requirement was 115 man-minutes on the demonstration unit as against 91 man-minutes in the rural situation. This indicates that the human labour use was 27 per cent higher on improved technology. Due to higher level of milk production through the crossbred cow, the milking and milk sale took markedly more time as com-

TABLE II

Labour Utilisation in Milk Production

(Man-minutes/day/cow)

Category	Cow					
	Transportation of fodder	Grazing & feeding	Milking	Milk sale	Misc.	Total
(a) Existing Technology						
Landless	39.26	52.80	3.84	—	19.20	115.20
Marginal	14.40	43.20	3.84	0.96	11.52	73.92
Small	20.16	26.88	5.76	0.96	10.56	64.32
Lower-medium	17.28	43.20	9.60	—	13.44	83.52
Upper-medium	21.12	48.96	5.76	—	11.52	87.36
Large	17.06	28.80	3.77	—	9.60	59.23
Overall	26.07	44.22	5.67	0.24	14.53	90.75
(b) Improved Technology	5.32	40.00	35.00	15.00	17.50	115.48
(c) Change in IT over ET (%)	—79.59	--9.54	717.28	—	20.44	27.25

*The percentage was not calculated as selling of new milk was not common in the existing technology.

TABLE III

Yield of Grain Crops (Quintal/hectare) and Milch Animals (litre/days)

Category	Wheat	Paddy	Cow
(a) Existing Technology			
Landless	—	—	20.942
Marginal	23.31	5.71	1.076
Small	22.13	24.31	0.857
Lower-medium	21.37	28.68	0.980
Upper-medium	22.11	30.31	1.636
Large	19.38	35.84	1.000
Overall	21.12	30.45	1.038
(b) Improved Technology	41.74	67.18	10.695
(c) Change in improved technology over existing technology (%)	97.63	120.62	930.35

pared to the time spent for these operations for local cow in the rural conditions. In the villages, fodder is being transported from the fields which are quite distant from the cattle shed and the animals are grazed alongwith the stall feeding. These two operations, therefore, used more labour for this situation.

The foregoing analysis indicates that the introduction of improved farm technology in grain production and milk production has potential for increasing employment in the rural areas. If the improved technology is adopted and its employment potential is fully exploited, it would help to reduce the gap between the rich and the poor and would assist in eradication of poverty and reduction of economic disparity. The belief, that the improved technology is mainly production-oriented seems to be incorrect. Moreover, the improved technology of milk production has substantial scope for increasing employment particularly of the weaker section who have no land or have very little of landbase. The increased employment through improved milk production technology would help to increase income and the level of nutrition and would work as an instrument to bring social justice in the rural sector.

References

(1) The National Workshop on "Agricultural Problems and Future Prospects" held at the Division of Agricultural Economics, IARI, New Delhi from July 29 to August 1, 1981, recommended that the evaluation of agricultural technology should be termed as technologies (viz; wheat technology, rice technology etc.) rather than a single process.

(2) A.S. Kahlon: Green Revolution—Some Lessons from Indian Experience; *Agricultural Situation in India*", Vol. 31, No. 1, April, 1976; Pp. 3-5.

(3) Amrik Singh Saini and Raj Vir Singh; "Impact of Dairy Enterprise on Productivity and Employment", *Agricultural Situation in India*, Vol. 32, No. 3, June 1977, Pp. 139-142.

(4) *Economic Survey*, Government of India, 1979-80.

(5) Raj Vir Singh and Amrik S. Saini; "Technology for Increased Farm Incomes and Employment", *Eastern Economist*, Vol. 15, No. 7, August 15, 1980, Pp. 456-58.

(6) T. Narayanan; "Policies and Projections under Dairy Development medium term Plan 1978-83" paper presented at the 7th Dairy Husbandry Officers Workshop held at NDRI, Karnal; 1978.

(7) Daroga Singh; "Presidential address delivered at the 40th Annual conference of the Indian Society of Agricultural Economics", held under the auspices of the University of Poona and Gokhale Institute of Politics and Economics, Pune-4, on December 30, 1980.

(8) M.S. Swaminathan; "Indian Agriculture at the Cross-roads", *Indian Journal of Agricultural Economics*, Vol. 32, No. 4. Oct-Dec. 1977, P.6.

(9) It has been well recognised that a permanent solution for improving the standard of living of rural masses can be obtained only through increasing their incomes and employment potential in the villages itself. Raj Vir Singh and Amrik Singh Saini (1980); op. cit.

(10) Both ex-ante (the analysis of expected impacts) and ex-post (evaluation of the effects of the technologies—already put into use), analyses are needed. However, greater emphasis should be given to ex-ante analysis in order that any undesired side effects of particular technology can be averted, or modified. For reference see: the recommendations of the National Workshop on "Agricultural Problems and Future Prospects": op cit.

(11) Daroga Singh in his Presidential Address (op. cit) suggested that micro level studies should be undertaken to demonstrate and to convince the farming community as well as policy makers that what is possible technologically is economically feasible.

(12) The threshing and winnowing operation for wheat crop is done through power threshers in both the situations.

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Cement Corporation : An Encouraging Record

CEMENT CORPORATION of India has shown commendable performance during the last few months. The Corporation has achieved capacity utilisation of 97 per cent in its four plants during the month of October, 1981, against all India average of about 73 per cent. The total production by the four units at Mandhar (Madhya Pradesh), Kurkunta (Karnataka), Rajban (Himachal Pradesh) and Bokajan (Assam) during the month was 79,471 tonnes. In September the four units produced 77,624 tonnes at 95 per cent capacity utilisation.

In spite of difficult location and exacting working conditions, in addition to usual constraints, Bokajan (Assam) achieved 108 per cent capacity utilisation by producing 18,020 tonnes during the month of October. The annual capacity of the four units is : Mandhar (Madhya Pradesh)—380,000 tonnes and Kurkunta (Karnataka), Rajban (Himachal Pradesh) and Bokajan (Assam)—200,000 tonnes each. Akaltara (Madhya Pradesh) unit of the Corporation, which is in its first year of operation has achieved 79 per cent capacity utilisation by producing 26,400 tonnes.

Pioneering Role

The Corporation was incorporated in January, 1965 in order to survey the prospect of cement grade limestone deposits in the country; to set up sufficient manufacturing capacity for the manufacture of cement in the public sector, to help achieve the cement production target as planned and to coordinate all ancillary and supporting activities connected with the growth of cement industry and development of expertise.

Over the years its sales turnover has increased substantially. For instance from Rs 32 crores in 1970-71, its turnover for the current year is expected to be Rs 53 crores. Its present installed capacity is 2.34 million tonnes, which is expected to increase to 6,38 million tonnes with the completion of the projects in the next five years (1980-85). Its market share which is about eight per cent at present is expected to go upto about 15 per cent during this period. The Corporation is working on a 20 year perspective plan with the objective of achieving an installed capacity of about 35 million tonnes giving it a market share of over 30 per cent by turn of the century.

The work on completion of the three units of 400,000 tonnes per annum capacity each at Neemuch (MP), Akaltara (MP) and Yerragnntla (AP) being set up by the company was delayed due to delayed supplies of equipments by some of the suppliers. The Neemuch factory has since started production of clinker and cement. The Akaltara factory has also started clinker and cement production.

Reviving Sick Units

Construction work on the Adilabad project is in progress. Approval of cost estimates for Tandur plant of one million tonnes per annum capacity has been received and orders for plant and machinery will be placed shortly. The Corporation has uptil now prospected 20 different sites and proved over 1183 million tonnes of cement grade limestone. It has recently took over a sick unit at Charkhi Dadri in persuance of Government ordinance and produced cement by pressing its grinding unit into operation within two months of the takeover.

The Corporation has a project management and consultancy cell capable of providing consultancy and engineering services from concept to commissioning. Consultancy services rendered by CCI include a turn-key project for Bhutan Government, feasibility studies for Sultanate of Sharjah and Oman and projects of various States in India. CCI's experts have been deputed to assist foreign Governments of Asian and African countries like Uganda, Ethiopia, Ghana and Libya.

Recently the Corporation has bagged orders for consultancy services totalling Rs 18.5 lakhs including interalia the preparation of a feasibility report for a mini-cement plant in Arunachal Pradesh, investigation of raw material availability for a cement plant for the North Eastern Council, preparation of a feasibility report for a large sized plant in Himachal Pradesh and a project report for revival of one of the closed units. The Corporation has also taken steps for having its name enlisted with the Overseas Project Coordination Committee under the Ministry of Commerce for extending consultancy services abroad.

New Ventures

The Corporation has submitted a number of proposals to the Government including two proposals for expansion of Neemuch and Yerraguntla with World Bank assistance. It is felt that growth only in the area of cement is not conducive to its economical strength during times of cyclic fluctuations in the market. The Corporation has to diversify its production programme in the building material area. Studies are therefore, being undertaken for setting up white cement and asbestos cement sheets and pipes plants. This will enable the company to build up solid internal strength to absorb cyclic fluctuations in the market.

The expanding activities of the Corporation demand identification of more than one source of finance in addition to the Governments budgetary support. The Corporation is one of the first few in the public sector to obtain term loans from the financial institutions, and is currently discussing with the World Bank to find out ways and means of financing partly some of the new schemes to be taken up.

The Corporation has developed special project management models and project implementation techniques with the aid of which it has been able to forge ahead at a record speed the implementation of its on-going 400,000 tonnes project at Adilabad. CCI recently commissioned one of its most sophisticated 40,000 tonnes plant at Akaltara which has been able to achieve 80 per cent capacity utilisation and has made profits in the very first year of its commissioning.

STATE OF THE ECONOMY

Financing of Private Corporate Sector

THE PLANNING Commission has set up an eight-member study group on financing of the private corporate sector in the Sixth Five-Year Plan 1980-85. In the Plan, private corporate sector has been assigned a vital role in mining and manufacturing for the achievement of the targets in industry and minerals sectors. It has been estimated that the gross investment by the private corporate sector will be of the order of Rs 13,182 crores. The private corporate sector is expected to generate Rs 8,870 crores of internal savings. The balance of Rs 4,312 crores will be mobilised from the rest of the economy. It has been felt that the ability of the corporate sector to achieve these levels of investment and savings need careful examination.

The study group has been set up with a view to analyse the available data as an aid to rational policymaking in this important sphere. The study group, comprising official and non-official members, will examine the factors influencing corporate investment, assess the sources of funds in the private corporate sector, and suggest the manner in which the needed resources for the desired levels of investment as contemplated in the Sixth Plan, can be raised. The report is to be submitted by the end of February, 1982.

Project Management in Public Enterprises

A three-day national workshop on Project Management in public Enterprises was held recently to discuss in depth various issues like identification, formulation and appraisal of a project keeping in mind the management atmosphere and economic conditions prevailing in the country. The workshop was organised jointly by the Bereau of Public Enterprises, Ministry of Finance and Standing Conference of Public Enterprises (SCOPE). A score of papers comprehensively covering various aspects of project management were presented at the workshop by experts in their areas of specialisation.

The proposal to hold a workshop of this nature emanated following a preliminary meeting of the concerned administrative Ministries, Planning Commission and major public enterprises in February this year where the need was felt to focus attention on time and cost overruns during project implementation in crucial sectors.

Soviet Equipment for Visakhapatnam

Agreements were signed recently at New Delhi by the Steel Authority of India Limited, Visakhapatnam Steel Project with Tiajpromexport, Moscow for the supply of steel plant equipment, technological structures, refractories and other intricate components as well as for deputation of Soviet specialists to Visakhapatnam for design and construction supervision of the various units being built in the first phase of the plant. The agreements were signed by Mr Y.N. Kalashnikov, President. Tiajpromexport and Mr V. Subramaniam, Managing Director, Visakhapatnam Steel Project.

The supply contract envisages supplies of equipment totalling 37,143 tonnes consisting of major equipments for coke ovens, blast furnaces, sintering plant and steel melting shop No. 1 including the continuous Casting machines of Phase-I of Visakhapatnam Steel. Tiajpromexport will supply 9,780 tonnes of technological structures and about 30,400 tonnes of special refractories. The total value of the contracts signed for the supply of equipment, structures and refractories amounts to approximately Rs 196 crores. Out of this, an amount of about Rs 153 crores will be financed under the credit granted to India by the Government of USSR under the Indo-Soviet Agreement on Economic and Technical Co-operation dated April 27, 1977 and June 12, 1979.

The credit is to be repaid over a period of 17 years at an interest of 2.5 per cent per annum. The balance amounting to Rs 43 crores will be financed by the USSR under the trade agreement of deferred payment terms. Under these terms, 15 per cent of the value of equipment would be paid in Indian rupees by the time it is despatched and the balance 85 per cent will be paid in Indian rupees over a period of 10 years at an interest rate of four per cent per annum in 20 equal half-yearly consecutive instalments, the first instalment being due on the first of October in respect of deliveries in the second half of the preceding year.

Visakhapatnam Steel estimated to cost around Rs 3,000 crores is India's first coast based steel plant and the third integrated steel plant being set up with Soviet collaboration. The Soviets are incorporating their latest steel technology at Visakhapatnam.

Hotels at Buddhist Pilgrim Places

Mr A.P. Sharma, Minister for Tourism & Civil Aviation laid the foundation stones of 3-star hotels at Rajgir in Bihar and Kushinagar in Uttar Pradesh on November 21 and 22 respectively. The hotels, named Centaur Hokke Hotel, are being set up jointly by the Hotel Corporation of India (HCI), a subsidiary of Air-India and the Hokke Club Ltd. of Japan. Under the terms of the collaboration it is proposed to register a new company in India under the name of Indo-Hokke Hotels Limited, wherein 80 per cent of the equity capital will be held by the Hotel Corporation of India and 20 per cent by the Hokke Club Limited of Japan,

The two hotels at Rajgir and Kushinagar will be designed by a Japanese architect and executed by a Indian architect. These hotels will start with 25 rooms each but the public areas and facilities will be designed to take an additional 75 rooms later. Whilst the hotels will be managed and staffed by Indians the food arrangements will be in charge of a Japanese manager.

It is proposed to start construction in early 1982 so that the hotels are operational in time for the Japanese pilgrim season which extends from October to March. The hotels will also be open to other pilgrims.

The hotels will provide attractive accommodation and special amenities for pilgrims at these important centres.

Indo-Liberian Trade Agreement

The first Trade Agreement between India and Liberia was signed recently by Mr Pranab Mukherjee, Union Minister of Commerce, Steel & Mines, and Capt. E. Sumo Jones, Minister of Commerce, Industry and Transportation. Negotiations are also in progress on several commercial transactions and joint ventures projects between the two countries including the supply of helicopters and aircrafts. The new trade agreement provides for Most-Favoured-Nation Treatment to each other. The trade between the two countries will be conducted in freely convertible currency. The two sides have agreed to take all possible steps for promoting bilateral trade. It has also been decided that the two countries would encourage participation in each other's trade fairs and exhibitions. The new agreement will be valid for a period of two years.

During the trade talks, the Commerce Minister expressed satisfaction that a trade agreement was concluded which would pave the way for rapid expansion of trade, joint ventures and other forms of economic cooperation. Mr Mukherjee pointed out that Indian exports to Liberia were of a small volume, about Rs 2 crores in 1979-80. He said that India was in a position to supply a large variety of goods presently being imported by Libaria, including machines and transport equipment, railway equipment, road vehicles, electric appliances, textiles, metal manufactures and scientific instrument. He also expressed satisfaction that in reply to a request from Liberia, India was negotiating the supply of several helicopters and aircrafts to that country on supplier's credit.

At present India's imports from Liberia are nil. India exports fruits and nuts medicinal and pharmaceuticals, perfumery cosmetics, rubber tyres and tubes, textile yarn, cotton fabrics, nails, screws, nuts, belts, rivets and tools for use in the hand or in machines, electrical machinery, non-electric machines, road motor vehicles, garments of textile fabrics, footwear, cinematographic films, work of art, collectors pieces and antiques etc.

India Re-elected to IMCO Council

India has been re-elected to the Governing Council of the Inter-Governmental Maritime Consultative Organisation (IMCO), the elections for which were held in London on November 13, 1981. Out of the 103 votes polled, India secured 91, the highest votes polled by any country. The Council consisting of three categories has 24 members who are elected by the assembly for a term of two years.

IMCO is the specialised agency of the United Nations and its main objective is to facilitate cooperation among the governments on technical matters affecting international shipping, in order to achieve the highest practicable standards of maritime safety and efficiency of navigation.

India-Morocco Cooperation

India and Morocco recently signed a trade agreement which, inter alia, provides for setting up of a joint committee consisting of representatives of both the countries to ensure formulation of measures to promote commercial relations. The joint committee will meet in Rabat and New Delhi alternatively. The agreement was signed by Mr Pranab Mukherjee, Union Minister of Commerce, Steel & Mines on behalf of India and by Mr Azzeddine Guessons, Minister of Commerce and Industry and Tourism, on behalf of Morocco.

The agreement also provides for a Most Favoured-Nation-Treatment by each other and all payments for the transactions under this agreement will be made in freely convertible currency. Both the countries have also agreed to allow the holding of permanent or temporary fairs, exhibitions and trade centres. This agreement will be in force for a period of three years.

In the trade talks between the two Ministers, before the signing of the agreement, Morocco sought Indian technical know-how for setting up of an integrated steel plant of one million tonnes capacity. It was agreed that an Indian study team would shortly visit Morocco to make a feasibility study on the subject. The visiting dignitary also showed interest in the Indian machinery, particularly for the textile industry, sugar industry and leather industry. Mr Pranab Mukherjee informed him that in respect of consumer goods machinery, India was not only self sufficient but also possess a fairly good exportable capacity and assured that India would be able to

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meet Morocco's requirements in this respect.

At present, the volume of trade between India and Morocco is not much. While our imports from Morocco consist mainly of rock phosphate and some chemicals and related products, India's exports to Morocco comprises fruits and vegetables, spices jute goods, manufactures of metals, machinery and transport equipment, cinematographic films, sanitary, plumbing, etc. fixtures and fittings and some other items. In 1980, India had been able to achieve a breakthrough in the export of green tea to Morocco.

HUDCO Concessions

The Housing and Urban Development Corporation (HUDCO) has made a number of special dispensations for the North Eastern Region in view of the special conditions there. In the case of Assam, HUDCO has agreed to finance schemes on scattered plots owned by the individuals as the Assam State Housing Board did not have land of its own and it indicated that it was difficult to take up conventional hire-purchase housing schemes in organised layouts.

In Nagaland, in view of the difficulty in undertaking hire-purchase housing schemes due to peculiar land tenure system and inalienable tribal right on land in the State, HUDCO has offered to finance the Development Authority of Nagaland for its Rental Housing Schemes for general public on the same terms as applicable for hire-purchase urban housing schemes. As no institutional set up is available in the Union Territory of Mizoram for undertaking housing and urban development schemes with HUDCO's finance, as a special case, it has agreed to finance the Union Territory Government directly although normally HUDCO restricts its finance to public housing agencies such as housing boards, oevelopment authority, etc. Among the other steps taken by HUDCO to promote housing activity in the Eastern and North Eastern regions is the recent opening of a Regional Office of the Corporation in Calcutta.

Calcutta-Haldia Channel

Calcutta Port, being a riverine port has to keep navigable a long and difficult stretch of 129 Kms of river Hooghly involving considerable expenditure on dredging and maintenance. This maintenance involves river training works, river survey and hydraulic studies and other concomitant facilities. The approach channel to the main port presents difficult navigational problems. There are several bars and crossings as well as sharp bends in the river which the ships have to negotiate. These are subject to seasonal and, at times, sudden fluctuations, both in the depth and alignment of the channel, making heavy dredging at these shallow reaches a constant necessity. The channel is well marked with numerous navigational aids to facilitate navigation both by day and by night. Surveying and charting of the river go on continuously and depths over the bars in the river are broadcast to shipping daily.

Calcutta Port which has been facing acute financial difficulties for quite sometime, has been getting subsidy on river dredging and maintenance since 1968-69 at the rate of 80 per cent of the expenditure incurred by the port. Government of India have released subsidy amounting to Rs 77.82 crore upto the end of 1980-81. Now the Government has extended this facility upto the end of 1981-82. This will involve additional expenditure on the part of Government to the extent of Rs. 10 crore during the current year.

Project on Mercury

The Geological Survey of India (GSI) has initiated a national project on mercury known as APBAKI, in collaboration with the National Geophysical Research Institute (NGRI), Bhabha Atomic Research Centre (BARC) and Indian Navy to tap sources of this scarce strategic metal. This follows identification of potential areas of mercury deposit covering a long belt from North Kerala to North Bombay and beyond. The latest incidence of native mercury oozing out along a few fine fracture plains in the trap rocks was recorded in the Southern tip of Arnala island near Bombay. This was the third reported mercury incidence in the country, the others being Khitre in Kartnataka and Badagara in Kerala. The Arnala occurrence is about 1.5 km away from the shore under a water column of 1.5 metre deep and is exposed only in the low tide periods.

The project on mercury, if found economically viable, would provide the country with the first ever mineable mercury deposits and reduce the import.

Public Sector Undertakings

Public sector undertakings under Department of Industrial Development achieved 97.13 per cent target during August, 1981. Total production was valued at Rs 2539.92 lakh being 97.13 per cent of the target of Rs 2614.92 lakh. This shows an increase of 50.16 eper cent over that of Auguest, 1980 (Rs 1691.38 lakh). The monthly production excludes production of Hindustan Salts Ltd, which engaged as a seasonal industry and whose production is valued at Rs 0.20 lakhs during the month of August, 1981.

The cumulative production during the first five months of the current year (1981-82) was valued at Rs 10649.12 lakh, 85.32 per cent of the target of Rs 12480.79 lakh. This was 32.18 per cent higher than the production of Rs 8056.29 lakh in the corresponding period last year, according to an official release.

Public sector undertakings which achieved over 100 per cent target were Cycle Corporation of India Ltd (131.00 per cent), Hindustan Paper Corporation (123.90 per cent), National Instruments Ltd (114.65 per cent), National Newsprint and Paper Mills Ltd (102.54 per cent), Instrumentation Ltd (108.08 per cent), and Andrew Yule & Company Ltd (100.37 per cent).

Indo-Czechoslovak Commercial Relations

Mr Cerny, President, Czechoslovakia Chamber of Commerce, who was here recently in connection with the second meeting of Indo-Czech Joint Business Council, called on Mr Pranab Mukherjee, Union Minister of Commerce, Steel & Mines, and exchanged views on furthering commercial cooperation between the two countries. During half an hour long meeting, Mr Pranab Mukherjee impressed upon the need to further expand Indo-Czech trade particularly in the field of non-traditional items. He said that although trade between the two countries had expanded considerably during the recent years, but still it had been confined more or less to traditional goods and items like manufactured goods and engineering goods, had not found appropriate place. He hoped that the Joint Business Council meeting would be able to identify such areas where the trade of the two countries could expand to mutual benefit and to achieve higher targets. He was also of the opinion that the visit of the Czech delegation presently when the India International Trade Fai 1981 was on, would be fruitfu in the sense that it would giv them an idea of the vast stride made by India in the technological fields.

Mr Cerny gave the Unio Minister of Commerce, M Pranab Mukherjee an idea o the 'industry' in his countr and the various difficultie being faced by them. Th Minister was informed tha various delegations were al ready on the job with a vie to diversify and expand trad with India. The items being covered by these delegations concern shoe industry, textile industry, handicrafts, pharmaceuticals and general merchandise. He assured the Minister that the members of Czechoslovakia Chamber of Commerce would be impressed upon the need to further expand cooperation with India in non-traditional goods.

ICICI Loan

The Industrial Credit and Investment Corporation of India Limited (ICICI), concluded a three-currency Euroloan for DM 30 million, Swiss franc 30 million and Japanese yen 3 billion. Mr S. Kumarasundaram, Joint Managing Director, ICICI signed the loan agreement on behalf of ICICI in Hong Kong recently. The loan has been lead managed by Lloyds Bank International and State Bank of India. The managers to the loan are Manufacturers Hanover Asia and Standard Chartered Bank. Besides the lead managers and the managers, funds have been provided by Bank of India, Indian Overseas Bank, Midland Finance, Syndicate Bank, Bank of Baroda, Banque Commerciale pour l'Europe de Nord (Eurobank), Banque Internationale de Gestion et de Teresererie, Credit Agricole and Credit du Nord. This is ICICI's third Eurocurrency loan. It has a final maturity of 10 years with repayments beginning from the fifth year. The three-currency arrangement finalised by ICICI would help better averaging of exchange risks as also interest rates.

Low Cost Housing Guidelines

The National Buildings Organisation (NBO) has recommended guideline standards for rural housing in the context of conditions prevailing in the villages. These relate to density, areas of plot and its coverage, provision of open spaces and essential services. A typical design of house for the rural poor has been evolved by NBO to illustrate the practical utility of the standards. Based on this design, the ten Regional Rural Housing Wings of NBO have so far put up 25 clusters of 10 to 20 low cost demonstration houses in selected villages in different regions with modifications to suit local requirements.

For housing the urban poor, the NBO had put up demonstration houses in Ber Sarai, Delhi in 1975. A Development Group on Low Cost Housing recommended space norms and standards for low cost housing. A shelter house for the urban poor has been envolved by NBO incorporating concepts and techniques to reduce the cost of construction. The Indian Standards Institution has brought out a comprehensive guide for the requirements on low income housing. The guidelines lay down parameters within which high density development with sufficient infrastructural facilities is possible and set out requirements as regards size of plot, size of habitable room, WC, bath and kitchen, pathways and open spaces, community facilities, etc.

The NBO has sent the guidelines to all Central and State construction departments, housing boards and other construction agencies for adoption.

INDOSUEZ in Bombay

The Reserve Bank has authorised the Banque De L'Indochine Et De Suez (INDOSUEZ), Bombay (Head Office at Paris, France) to undertake all types of foreign exchange transactions in all permissible currencies. The permission has been given subject to the conditions and obligations stipulated in the Exchange Control Manual and other directions issued by the Reserve Bank under Section 73(3) of the Foreign Exchange Regulation Act, 1973 as amended from time to time.

Names in the News

Mr M.V. Arunachalam, has been appointed as the Chairman of Tamilnadu Industrial Investment Corporation. He is Chairman of TI Diamond Chain Ltd, Madras, EID-Parry (India) Ltd; TI Miller Ltd, Madras, and Managing Director of Tube Investments of India Ltd., Madras and holds a position as a Director in many other companies. Mr Arunachalam is actively associated with the Governing Body, Family Planning of Foundation, New Delhi as a member and as Chairman of Export-Import Advisory Committee (Southern Zone) He has travelled extensively leading various delegations in connection with commerce and industry. He was leader of the indian delegation to the Joint Indo-US Business Council Committee meeting in USA in February 1977. He is a former President of the Federation of Indian Chambers of Commerce & Industry, New Delhi.

Mr M.V. Arunachalam

Readers' Roundtable

Wither Banking ?

Sir, The Union Finance Minister, Mr R. Venkataraman, expressed his concern recently at deteriorating services in banks. Earlier one of his deputies had shown alarm at increasing overtime.

It is high time that authorities took remedial action because in banking, management efficiency has reached near zero level. The banking industry has become virtually a sick industry.

Some steps which should be taken immediately to tone up this vital industry are:

(1) Stop overtime altogether and integrate present over-time benefits in salary. Follow the old rule of everyone going home after balancing the day's books.

(2) Transfer of award staff will restore some measure of control to management.

(3) Put an end to the malpractice of allowing an estimated 20,000 to 25,000 bank employees not doing any bank work, having been released for "union work". Either such work should be done after office hours or unions should hire full-time staff. Misuse of bank phones, teleprinters etc., even to organise strikes or go-slow should be stopped.

(4) The present methods of banking operations kills the creative spirit of many an educated youngster who joins a bank. Banks urgently require an innovative human resources utilisation policy.

(5) Very little is done now by managements as also unions to look into some real problems of employees. For instance, bank dacoities have increased, and in days to come bank employees will be exposed to greater dangers while on job. Yet, no thought seems to have been given to improving security systems, covering employees with insurance while on duty and training them in security consciousness and a measure of self-defence.

Bank managements, unions and Governmental authorities should realise one basic proposition: depositor confidence is a delicate plant. If the present state of affairs continues, the day is not far off when it will wither away.

M.R. Pai

Bombay

COMPANY AFFAIRS

TISCO Modernisation

The Tata Iron and Steel Co Ltd, (TISCO), will take up the second phase of the modernisation programme after the first phase is completed in 1983.

Disclosing this at a press conference recently, Mr S.A. Sabavala, a Director of the company, said that the second phase will aim at strengthening the raw material base. The implementation of further modernisation will help the company in effecting improvements in the sphere of finished materials also.

Replying to questions, Mr Sabavala said that the implementation of the first phase of modernisation involving an outlay of Rs 200-crore is making satisfactory progress and that it would be completed by March 1983, according to schedule. The programme envisages the setting up of a new oxygen steel making shop. A continuous casting unit is also being installed to improve yields, lower energy consumption and bring down the loan on the older blooming mill. Facilities for the production of oxygen gas, fluxes and refractories required for the new oxygen steel making shop are also being set up.

The financing arrangements for the modernisation programme have been completed. The foreign exchange requirements totalling Rs 56 crore are being met from loans / credits from the IC, Washington, and from Lazard Brothers and Co Ltd, UK. The company has been sanctioned loans of Rs 100 crore from the Steel Development Fund and Rs 25 crore from the Indian financial institutions. The balance expenditure will be met out of internal resources.

Kirloskar Electric's Bonus Issue

The Directors of Kirloskar Electric Co Ltd, propose to issue bonus shares in the ratio of one share for every two shares held. It is also proposed to issue new equity shares of Rs 10 each at a premium of Rs 7 per share, after the bonus shares allotted, in the proportion of one share for every six shares held. The additional resources including the premium will amount to Rs 1.62 crore.

The Board proposes to raise the dividend from 15 per cent to 16 per cent for 1980-81. The gross profit has gone up from Rs 3.81 crore to Rs 10.30 crore.

I T C Debentures

The Government of Maharashtra has declared I T C debentures as 'Public Security' under Section 2(12)(d) of the Bombay Public Trusts Act, 1950 by an order dated November 12, 1981. Hence charitable trusts in the State of Maharashtra are eligible to invest in these debentures without obtaining specific prior approval of the Charity Commissioner.

Scindia Steam

The Directors of Scindia Steam Navigation Company have proposed at a meeting held in Bombay recently to pay a 10 per cent dividend for the year ended June 30, 1981.

Considering the "current trend of improvement in the charter market, the Board of Directors felt it necessary to pay Rs 2 per share of Rs 20 each.

Based on the freight earnings of the company during 1980-81, the company had recommended this dividend at its meeting held on September 30 last. At a subsequent meeting in November first week, this decision was reversed.

EID-Parry

EID-Parry has reported a profit before tax of Rs 135.64 lakh for the first six months of the current year as against only Rs 13.51 lakh of the corresponding period last year on sales of Rs 64.18 crore against Rs 54.89 crore, according to an interim report released by the company.

The profit figures have been arrived at after providing Rs 168.46 lakh (Rs 151.82 lakh) for interest charges and Rs 67.09 lakh (Rs 99.82 lakh) for depreciation.

Assam Company

The Assam Company (India) Limited, a member of the well known Inchcape Group has reported a gross profit before depreciation and taxation of Rs 296.18 lakhs for the year ended June 30, 1981 as against Rs 454.03 lakhs in the previous year. The income showed a marginal increase from Rs 2244.91 lakhs to Rs 2302.78 lakhs. The Directors have recommended a dividend of 15 per cent (Rs 1.50 per share) for the year under review.

Depreciation accounts for Rs 31.89 lakhs (Rs 31.68 lakhs) while provision for taxation is lower at Rs 160.00 lakhs (Rs 305.50 lakhs). The amount available for appropriation is lower at Rs 106.67 lakhs (Rs 120.24 lakhs) after transferring Rs 3.25 lakhs (Rs 0.95 lakhs to development allowance reserve and Rs 3.15 lakhs (Rs 1.22 lakhs) to investment allowance reserve and taking into account balance of Rs 8.78 lakhs (Rs 5.56 lakhs) brought forward from previous year. The Directors have proposed transfer of Rs 49.80 lakhs (Rs 41.46 lakhs) to general reserve. Dividend absorbs Rs 52.50 lakhs (Rs 70.00 lakhs) and the balance of Rs 4.37 lakhs (Rs 8.78 lakhs) has been carried forward.

Dhrangadhra Chemicals

Dhrangadhra Chemical Works' sales during the first half of the current year (April to September last) have been Rs 14.26 crore against Rs 14.12 crore for the same period of 1979-80. The Sahupuram unit has produced 20,607 tonnes of caustic soda (18,620). Production of upgraded ilmenite is 6,513 tonnes (5,896 tonnes), liquid chlorine 3,899 tonnes (4,101 tonnes) and of trichloroethylene 1,101 tonnes (1,515 tonnes). The 30 per cent power cut, enforced in January was withdrawn from June.

The Directors state that the second half is expected to be better if no power cut is re-imposed. The sales position has been satisfactory, except for trichloroethylene, the offtake of which has been adversely affected by excessive imports. The expansion of the caustic soda capacity is expected to be completed by June 1982.

The Dhrangadhra unit in Gujarat has produced 24,695 tonnes of soda ash and 5,341 tonnes of soda bicarb against 27,984 tonnes and 3,202 tonnes, respectively, produced in the same period of the previous year. Sales have been affected due to excessive imports resulting in heavy accumulation of stocks.

Furmanite Nicco

Furmanite Nicco Ltd. (FNL), which started its leak sealing services for continuous process industries a year ago in Bombay, is gradualy expanding its operations.

FNL has since opened service centres in Calcutta and New Delhi and as part of its five-year programme, it has decided to take the number of service centres to ten.

The Furmanite process was conceived in 1929 by an American Marine Engineer, Clay Furman, who patented this process for 'on line' leak sealing in continuous process industries which usually had to reckon with large-scale loss of steam, raised with the help of either coal or oil. The process involves forming an injection moulding around the failing gasket. The process was later brought to its present sophisticated state by Furmanite International of the UK.

Mr A.W. Forsyth and Mr Rajiv Kaul, Chairman and a Director of FNL, told newsmen in Calcutta recently that the company's services were fast gaining acceptability in key sectors like power, steel, petroleum, fertiliser and even paper.

According to Mr Kaul, FNL has sealed a total of 560 leaks in various industries in the first year of its operations. A conservative estimate of cumulative loss of steam saved is 385 tonnes per hour. The approximate cost of raising steam is Rs 100 a tonne. Thus, the saving works out to Rs 38,500 per hour. The cumulative saving will obviously be phenomenal.

Mr Kaul said FNL was marginally dependent on imports. Local manufacture of most of the inputs that the process involved had been arranged. As the process is sophisticated much attention has to be paid to training of engineers.

Goa Carbon Ltd

The Directors of Goa Carbon Ltd, have announced a maiden dividend of 20 per cent on equity capital for 1980-81 after clearing all the preference dividend arrears.

The turnover has jumped up from Rs 4.50 crore to Rs 10.89 crore and the gross profit from Rs 87.95 lakh to Rs 3.25 crore. After making various provisions and adjustments, the surplus available for appropriations is placed at Rs 1.13 crore against a deficit of Rs 89.57 lakh and the surplus has been arrived at after wiping off the debt balance.

Peico Electronics

The Directors of Peico Electronics & Electricals Ltd have declared an interim dividend of 80 paise per share, subject to deduction of tax for the year 1981. The total interim dividend will amount to Rs 14.4 million on the paid up share capital of Rs 180 million.

Hindustan Motors

Hindustan Motors Limited manufacturing heavy duty earthmoving equipment at their Trivellore plant near Madras announced recently introduction of two important models. One is a heavy duty model in the product rangeviz. a 85 ton capacity Rear Dumper Terex Model 33-11 C and the other is a "14 cubic yard capacity Twin Engined Scraper". While the heavy duty dumper would fulfil the need for large capacity dumpers for accelerated production of the various minerals, the twin engined scraper, manufactured for the first time in India, has a wide application ranging from construction of irrigation and power projects, mining and development of infrastructure.

In an impressive demonstration of these two new models, Mr Daga, Vice-President of Trivellore division, revealed that the Madras plant has been making impressive progress and that the current year's turnover is expected to be about Rs 60 crores as against only Rs 45 crores last year. He also said that their Hosur unit is expected to go into production in the last quarter of 1982 or early in 1983.

Mr Daga said that the first six units of twin engined scraper rolling out of the Trivellore unit would be supplied to Jayakwadi Project in Maharashtra. Giving details he said that TEREX TS-14B scraper powered by two GM Detroit diesel engines totalling 288 net horse power has Allison Torquomatic transmission integral with a torque converter, developing maximum torque multiplication and good speed range. Being world's most popular model of scraper in its class, it has a world population of around seven thousand.

Terex Model 33-11C Dumper has a heaped capacity of 49.5 cubic metres and is powered by 840 FHP GM Detroit diesel engine with 6 speed forward and 1 reverse, automatic shifting Allison Transmission with integral torque converter with a maximum speed of 60 km per hour. Though gigantic to look at, the dumper has been designed for productivity, operators comfort and safety. This is the sixth model of earth moving equipment introduced by Hindustan Motors since the Trivellore plant was commissioned. More than 1,700 machines comprising of 25 ton and 35 ton capacity rear dumpers, 2 cubic yard and 8 cubic yard front end loads, 275 FHP Crawler Tractors have already been manufactured here. Also more than 150 units of Terex Earthmovers have been exported to both developed and developing countries including the UK, Newzealand etc.

Britelite Carbon

Britelite Carbons Ltd, Khalol, Panchamahal, has reported losses for the year ending June 30, 1981.

In their ninth annual report, Directors of the company have reported Rs 275,936 as profit depreciation and interest on loans and deposits (Rs 986,664 in the previous year).

However, after providing Rs 166,055 for depreciation and Rs 823,437 for interest on loans, the company is left with a negative balance of Rs 7,13,556 as against the net profits of Rs 1,38,832 in 1979-80. After adjusting the excess provision written back and the last year's carry-forward balance, the loss this year has come to Rs 6,83,735.

The company claims a turnover of Rs 68.58 lakh during the year. In spite of this, the company could not avert the losses, mainly due to steep rise in costs of inputs and adverse market forces. Another reason for losses is that the company's products, midget carbons, could not be sold at economic prices in competition with cheap imported ones.

To combat this adverse factor, the company has been laying stress on developing new products during the year. The R and D division of the company has successfully developed AC brazing and gouging carbons, which have received a satisfactory market response.

Madras Fertilisers

The Madras Fertilisers Ltd (MFL), a public sector company with 51 per cent shares held by the Government, has proposed setting up additional ammonia and urea plants to double their existing capacity of 750 tonnes of ammonia and 885 tonnes of urea per day.

The proposal is based on the availability of naphtha from the Madras Refineries Ltd which is being expanded from 2.8 million tonnes to 5.6 million tonnes per year.

The MFL, which achieved the best-ever production in 1980-81, has declared a 35 per cent dividend for the last financial year.

Hindustan Diamond Ltd

Hindustan Diamond Company Ltd. is organising a one-day workshop in Bangalore on November 27 to draw an action plan for exploration of gem and other precious stones deposits in four Southern States.

The subjects to be covered under the workshop are: 1. geological exploration, 2. mining, 3. lapidary industry and 4. marketing.

In each case there would be review of the present state of affairs. Their potential would be assessed and an action plan would be drawn later.

Andhra Pradesh, Tamil Nadu, Karnataka and Kerala are known to be geologically rich in gem stones both precious and semi-precious types. Diamonds, ruby, saphire, aquamarine etc. although there is no authentic record of actual production.

ARC Cement to Enter Capital Market

ARC Cement, which is setting up a 165 tonnes per day mini-cement plant in Dehra Dun district of UP at a cost of Rs 4.24 crore entered the capital market on November 25 with a fully-underwritten public issue of 900,000 equity sharesof Rs 10 each at par.

The project is based on limestone deposits in Lambidhar mines situated between Dehra Dun and Mussoorie. The limestones will be brought to the site by a ropeway to be constructed by the UP Government. The site is well connected by road and also equipped with various infrastructural facilities.

The company is adopting the semi-dry rotary kiln technology for its plants. ACC the largest cement manufacturer in the country, is the technical consultant for the project. ACC has guaranteed the performance of the plant. It will be liable to pay penalties if the output falls to achieve the guaranteed levels.

The power supply has been assured to the company. Besides, it is installing its own 500 KW diesel generator.

The company expects to begin trial runs by March, 1982, and commercial production shortly thereafter. With the widespread shortage of cement in nearby areas, the company intends to sell its product from the factory itself. The promoters have long experience in the cement distribution and selling line.

The project is being financed by a share capital of Rs 150 lakh, and term loans of Rs 274 lakh. A businessman from Bahrein has taken up shares of Rs 10 lakh.

Mr Chander Mohan Chadha, Managing Director, has told newsmen that the company will not be required to contribute to the freight pool scheme applicable to cement plants. At present, this comes to Rs 84 per tonne which is about 24 per cent of the present retention price of Rs 344.39 per tonne of cement produced by new cement units. The company is also eligible for other special benefits such as exemption from distribution control, rebate in payment of excise duty up to 50 per cent for a period of five years, etc. Thus, the total benefit available to the company comes to Rs 146.50 per tonne. Besides, it, being a mini-cement plant, can use second-hand gunny bags.

Indo Lowenbrau

Indo Lowenbrau Breweries has reported a turnover of Rs 2.58 crore for the year ended June 30, 1981, as against Rs 2.15 crore in the previous year. The gross profit is Rs 19.69 lakh against Rs 14.36 lakh, according to preliminary figures.

After depreciation of Rs 10.48 lakh (Rs 9.96 lakh), there is a net profit of Rs 9.22 lakh compared to the previous year's Rs 4.40 lakh. No dividend has been recommended.

Punjab Coneast Pays 15% Dividend

The Directors of Punjab Concast Steel have decided to repeat the 15 per cent dividend for the year ended June 30, 1981.

According to preliminary figures the gross profit has declined from Rs 3.47 crore to Rs 2.70 crore in spite of higher sales of Rs 15.94 crore against Rs 14.21 crore in the previous year.

After depreciation of Rs 65.08 lakh (Rs 29.18 lakh) and taxation of Rs 71.50 lakh (Rs 166.50 lakh), the net profit is Rs 1.34 crore compared to the previous years Rs 1.51 crore.

Capital and Bonus Issues

Following companies have been allowed to raise capital. The details are as follows :

Bonus Issues

1. M/s R.H. Windsor (India) Limited: Rs 41,31,939,58 in fully paid equity shares of Rs 10 each in the ratio of 1:2.

2. M/s The B.M. Power Cables Private Limited: Rs 625,000 in fully paid equity shares of Rs 100 each in the ratio of 1:1.

3. M/s Nutrine Confectionery Company Ltd: Rs 400,000 in fully paid equity shares of Rs 100 each in the ratio of 1:1.

4. M/s Suresh Industries Pvt Ltd: Rs 200,000 in fully paid equity shares of Rs 100 each in the ratio of 1:2.

5. M/s Cable Corporation of India Limited: Rs 1,60,00,000 in fully paid equity shares of Rs 100 each in the ratio of 1:2.

6. M/s Salem Textiles Limited: Rs 692,290 in fully paid equity shares of Rs 10 each in the ratio of 1:6.

7. M/s Shaw Wallace and Company Limited: Rs 200,000 in fully paid equity shares of Rs 10 each in the ratio of 1:2.

8. M/s Permali Wallace Limited: Rs 11,25,000 in fully paid equity shares of Rs 100 each in the ratio of 3:5.

9. M/s Pressteels & Fabrications Pvt Ltd: Rs 500,000 in fully paid equity shares of 'Rs 100 each in the ratio of 1:2

Further Issues

1. M/s R. H. Windsor (India) Limited: Issue of equity shares of Rs 5.06,181.26 for cash at par to the Indian shareholders of the company on right basis.

2. M/s Someswara Cements & Chemicals Limited: Issue of equity capital worth Rs 185 lakhs for cash at par. Of this, Rs 111 lakhs will be offered to the public through prospectus.

3. M/s Jay Engineering Works Ltd: Issue of fully paid equitys hares worth Rs 31.95 lakhs at par to IDBI, IFCI and LIC in lieu of their exercising the option.

4. M/s Elecon Engineering Company Ltd: Issue of secured convertible redeemable debentures of the face value of Rs 550 lakhs for cash at par to the public.

5. M/s The Ahmedabad Shri Ramakrishna Mills Co Ltd: Issue of secured convertible redeemable debentures of Rs 60 lakhs for cash at par to the public by a prospectus.

6. M/s Nagarjuna Signode Limited: Issue of equity capital worth Rs 220 lakhs for cash at par.

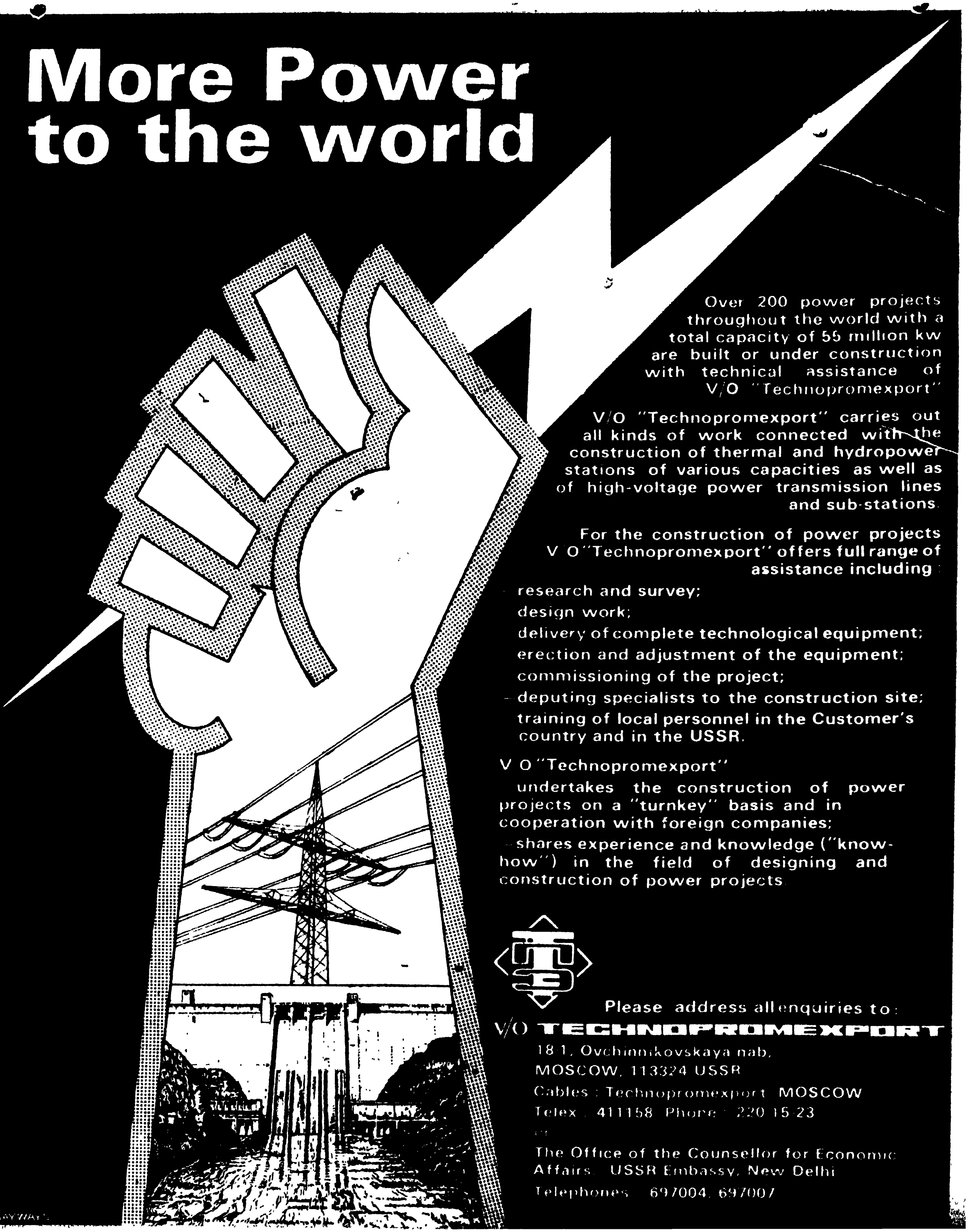
7 M/s Indian Organic Chemicals Limited. Issue of 372,065 secured convertible debentures of the face value of Rs 100 each for cash at par to the equity shareholders as rights in the ratio of 1:2.

8. M/s Jotindra Steel and Tubes Ltd. Issue of Rights equity shares worth Rs 36.66 lakhs for cash at a premium of Rs 2 per share of Rs 10.

9. M/s United Diamonds Limited. Issue of equity shares of Rs 60.84 lakhs for cash at par to the public.

Extension of Redemption

1. M/s Duncan Brothers Company Limited. Extension of redemption in respect of 25,000 preference shares of Rs 100 each issued by the company in 1969 by seven years from June 20, 1981 (15,000 shares) and from December 8, 1981 (10,000 shares) as also to the increase the rate of dividend from 9½ per cent to 11 per cent per annum (for company tax but subject to deduction of tax at source.



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- design work;
- delivery of complete technological equipment;
- erection and adjustment of the equipment;
- commissioning of the project;
- deputing specialists to the construction site;
- training of local personnel in the Customer's country and in the USSR.

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Cables : Technopromexport MOSCOW
Telex : 411158 Phone : 220 15-23
or
The Office of the Counsellor for Economic Affairs, USSR Embassy, New Delhi
Telephones 697004, 697007

Current Statistics

RECORDS AND STATISTICS

Wholesale Price Movements

Major Group/Group	Weight in relation to 'All Commodities'	Index Number of Wholesale Prices (Base : 1970-71=100) for the week ending: 7-11-81 Latest week (Provisional)	31-10-81 A week ago (Provisional)	10-10-81 4 weeks ago (Provisional)	12-9-81 8 weeks ago (Final)	8-11-80 A year ago (Final)	Percentage Variation over: A week	A month	Two months	A year
ALL COMMODITIES	**1000.00**	**280.3**	**280.2**	**285.2**	**284.3**	**257.3**	**Negl.**	**—1.7**	**—1.4**	**8.9**
I. Primary Articles	**416.67**	**265.3**	**265.4**	**269.0**	**269.1**	**242.9**	**Negl.**	**—1.4**	**—1.4**	**9.2**
(a) Food Articles	297.99	237.5	237.2	238.6	238.4	215.9	0.1	—0.5	—0.4	10.0
(b) Non-food Articles	106.21	237.4	236.1	246.7	247.1	217.0	0.6	—3.8	—3.9	9.4
(c) Minerals	12.47	1,167.9	1,188.7	1,187.3	1,188.7	1,108.3	—1.7	—1.6	1.7	5.4
II. Fuel, Power, Light and Lubricants	**84.59**	**437.5**	**437.5**	**437.5**	**437.5**	**356.5**	**—**		**—**	**22.7**
III. Manufactured Proudcts	**498.74**	**266.1**	**265.8**	**272.9**	**271.1**	**252.5**	**0.1**	**—2.5**	**—1.8**	**5.4**
(a) Food Products	133.22	284.8	284.6	311.2	305.3	288.5	0.1	—8.5	—6.7	—1.3
(b) Beverages, Tobacco and Tobacco Products	27.08	218.9	218.9	218.9	218.6	214.2	—	—	0.1	2.2
(c) Textiles	110.26	223.8	223.6	223.6	223.6	210.0	0.1	0.1	0.1	6.6
(d) Paper and Paper Products	8.51	278.8	278.8	278.8	278.3	261.6		—	0.2	6.6
(e) Leather and Leather Products	3.85	372.4	372.4	372.4	372.4	385.4	—	—	—	—3.4
(f) Rubber and Rubber Products	12.07	287.0	287.0	287.0	286.5	254.7	—	—	0.2	12.7
(g) Chemicals and Chemical Products	55.48	260.2	259.8	259.5	259.8	246.7	0.2	0.3	0.2	5.5
(h) Non-metallic Mineral Products	14.15	313.4	313.4	314.3	312.7	281.4	—	—0.3	0.2	11.4
(i) Basic Metals, Alloys and Metal Products	59.74	310.7	310.4	310.2	309.0	269.6	0.1	0.2	0.6	15.2
(j) Machinery and Transport Equipment	67.18	263.9	263.6	263.6	263.5	242.4	0.1	0.1	0.2	8.9
(k) Miscellaneous Products	7.20	239.2	239.2	239.2	239.2	240.3	—	—	—	—0.5

Negl.=Less than ± 0.05 per cent.

Source : Office of the Economic Adviser, Ministry of Industry, Government of India.

Movements in Consumer Prices : 1975-1981

(Monthly Averages or Calendar Months) (Index Numbers with Base: 1960=100)

Year/Month	For Industrial Workers					For Urban Non-manual Employees				
	All-India*	Bombay	Calcutta	Delhi	Madras	**All-India****	Bombay	Calcutta	Delhi—New Delhi	Madras
1975-76	**313**	300	287	333	314	**277**	246	243	273	306
1976-77	**301**	298	297	332	288	**277**	255	251	274	294
1977-78	**324**	318	320	358	311	**296**	269	265	288	311
1978-79	**331**	325	331	368	318	**306**	285	279	303	321
1979-80	**360**	359	351	389	350	**330**	315	297	321	350
1980-81	**401**	400	382	426	388	**369**	347	331	352	390
September, 1980	**402**	391	395	430	381	**370**	345	339	355	385
October, 1980	**406**	400	393	438	388	**375**	356	342	357	389
November, 1980	**411**	402	397	436	398	**378**	354	346	359	397
December, 1980	**408**	408	379	430	404	**376**	353	341	355	405
January, 1981	**411**	409	379	434	403	**378**	352	339	359	405
February, 1981	**418**	420	384	434	409	**382**	357	343	361	411
March 1981	**420**	423	385	438	410	**385**	359	345	367	412
April, 1981	**427**	435	397	448	412	**391**	372	348	372	414
May, 1981	**433**	442	399	453	420	**396**	377	353	377	420
June, 1981	**439**	450	406	461	428	**401**	380	358	383	426
July, 1981	**447**	459	408	476	452	**411**	387	364	397	434
August, 1981	**454**	462	412	480	457	**417**	394	368	408	440
September, 1981	**456**	458	423	480	455	**418**	396	372	403	441

*Based on indices of 50 centres. **Based on indices of 45 centres.

Sources : Labour Bureau (Ministry of Labour), Government of India and CSO, Ministry of Planning, Government of India.

Index Numbers of Industrial Production: 1975-1981

(Monthly Averages or Calendar Months) (Base: 1970 = 100)

Year/Month	Source Classification				Use-based Classification*						Input-based Classification*			Sectoral Indicators*	
								Consumer Goods Industries							
	General Index (Crude)	Mining and Quarrying	Manufacturing	Electricity	Basic Industries	Capital Goods Industries	Intermediate Industries	Total	Durable Goods	Non-durable Goods	Agro-based Industries	Metal-based Industries	Chemical-based Industries	Transport Equipment & Allied Industries	Energy Output@
Weight	100·00	9·69	81·08	9·23	32·28	15·25	20·95	31·52	3·41	28·11	33·68	21·93	12·86	10·79	18·51
1975	**119·2**	127·9	116·0	138·6	129·0	130·1	113·7	107·4	106·0	107·6	106·1	123·1	128·9	116·1	132·0
1976	**133·7**	136·8	130·3	160·3	147·5	143·8	122·2	118·4	120·0	118·2	112·2	135·4	151·0	132·6	146·6
1977	**138·3**	139·9	135·1	165·4	155·0	151·7	125·8	126·0	137·0	124·6	114·8	144·8	161·4	130·9	151·4
1978	**147·8**	142·2	144·4	183·6	162·4	156·8	135·8	138·3	147·9	137·1	124·5	154·3	177·8	132·0	163·1
1979	**149·5**	148·5	144·7	193·0	166·2	161·0	139·6	135·3	156·8	132·7	121·6	157·7	183·2	134·6	171 6
1980	**150·6**	144·2	146·1	197·3	164 6	168·4	140·7	135.9	162 3	132·7	125·4	162·2	178·8	136·6	171 0
January, 1981	**166·5**	174.0	160·3	213·5	184·7	181·2	145·1	159·1	167·6	158·1	142·2	170·7	199·2	143 6	193·8
February, 1981	**161·2**	179·0	154·8	199·3	180·8	175·9	139·3	151·1	167·2	149·1	133.8	168·0	191·9	144·3	189·9
March, 1981	**176·2**	201·0	167·6	225·9	205 8	221·4	145·7	148·7	166.1	146·6	135·2	200·6	201·4	164·5	213·5
April, 1981	**156·2**	160·0	148·6	219·1	180·9	162 0	143·8	138·2	164.2	135·1	125·6	159 2	189·8	136·8	209·3
May, 1981	**157.5**	159·0	149·9	223·0											
June 1981	**157.3**	159 0	150 6	213 7											
July, 1981	**162·9**														
A year ago†	**147·9**	130·0	138·6	176·5	155·6	143·7	134·2	123·3	154·9	119·5	114·3	144·2	162·0	118·1	162·6

Note:—Figures for the *last three* months are provisional and *generally* subject to revision. *Derived series (R.B.I. Classification). Revisions are carried out in the group indices as and when advised by the C.S.O. @Consists of coal and lignite, petroleum crude and products, and electricity.

†Figures in this row relate to that month in the previous year corresponding to the latest month for which data are presented.

Original Source: Central Statistical Organisation.

Statement of Affairs of the Reserve Bank of India : 1975-76 to 1981

(Issue and Banking Departments Combined)

(Rs. Crores)

As on last Friday/ Friday	LIABILITIES: Notes in Circulation	LIABILITIES: Deposits: Total	Deposits, Of which: Central and State Governments	Deposits, Of which: Scheduled Commercial Banks	Other Liabilities	Total Liabilities/ Assets 1+2+3 = Total 5 to 11	ASSETS: Foreign Exchange Assets¹	Gold Coin and Bullion	Government of India Rupee Securities	Loans and Advances: Total	Of which: State Governments²	Of which: Scheduled Commercial Banks	Bills Purchased and Discounted	Investments	Other Assets³
	(1)	(2)	(2a)	(2b)	(3)	(4)	(5)	(6)	(7)	(8)	(8a)	(8b)	(9)	(10)	(11)
1975-76	6,535	2,913	671	607	2,137	**11,585**	1,518	183	6,105	2,053	304	798	739	444	544
1976-77	7,743	3,664	388	1,146	2,213	**13,620**	2,768	188	6,500	2,430	327	967	531	215	988
1977-78	8,602	6,287	2,771	1,674	2,927	**17,816**	3,889	193	6,645	2,106	402	331	2,809	1,077	1,096
1978-79	10,267	4,876	723	2,634	3,222	**18,365**	4,655	219	7,366	2,352	170	546	1,675	852	1,246
1979-80	11,820	5,863	710	3,634	4,169	**21,852**	4,782	225	8,891	2,780	191	739	2,516	1,255	1,404
1980-81	13,733	6,520	789	4,092	5,108	**25,361**	4,320	226	11,110	3,504	599	589	3,162	1,593	1,446
June, 1981	14,436	6,044	71	4,517	5,487	**25,967**	3,932	226	11,820*	3,656	1,042	564	2,826	2,036	1,471
July, 1981	14,445	8,782	2,268	5,006	5,144	**28,372**	3,932	226	13,467*	3,674	1,013	546	5,236	389**	1,448
August, 1981	13,586	8,797	2,531	4,543	5,251	**27,634**	3,436	226	13,032*	3,445	697	562	4,980	351**	2,164
September, 1981	13,545	6,974	800	4,709	5,376	**25,895**	3,319	226	12,835*	3,630	762	586	4,237	360**	1,288
October, 1981	14,350	6,277	60	4,750	5,669	**26,296**	3,244	226	15,648*	4,123	1,129	625	1,406	370**	1,280
November 6, 1981	14,536	6,299	62	4,742	5,710	**26,515**	3,246	226	15,511*	3,927	965	592	1,940	348**	1,319
A year ago	12,873	6,328	636	4,258	4,207	**23,408**	4,625	226	10,825*	2,849	403	475	2,816	365**	1,703

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[1] Foreign securities plus balances held abroad. The latter includes cash, short term securities and fixed deposits. [2] Including temporary overdrafts. [3] Including rupee coins and Government of India one rupee notes. * Including *ad-hoc* treasury bills. ** Includes investments in foreign shares/bonds but excludes those in rupee securities.

All Scheduled Commercial Banks*—Business in India : 1975-76 to 1981

(Amounts in Rs. Crores)

As on last Friday/ Friday	Deposits: Demand†	Deposits: Time†	Deposits: Aggregate (1a+1b)	Borrowings from Reserve Bank¹	Cash in hand and Balances with Reserve Bank²: Cash in hand	Balances with Reserve Bank²	Total 3a+3b	Investments: Government Securities³	Other Approved Securities	Total (4a+4b)	Bank Credit⁴: Total	Of which Food Credit	Select Ratios (in per cent): Cash to Deposit	Investment to Deposit	Credit to Deposit	Food Credit to Total Bank Credit
	(1a)	(1b)	(1) =	(2)	(3a)	(3b)	(3)	(4a)	(4b)	(4)	(5)	(5a)	(6)	(7)	(8)	(9)
1975-76	5,817	8,338	**14,155**	798	305	607	**912**	3,283	1,324	**4,607**	**10,877**	1,521@	6·44	32·55	76·84	13·98
1976-77	6,943	10,623	**17,566**	967	354	1,146	**1,500**	3,930	1,606	**5,536**	**13,173**	2,190@	8·54	31·52	74·99	16·62
1977-78	8,867	13,344	**22,211**	331	469	1,674	**2,143**	5,907	1,990	**7,897**	**14,939**	1,984	9·65	35·55	67·26	13·28
1978-79	10,388	16,628	**27,016**	546	557	2,634	**3,191**	6,621	2,488	**9,109**	**17,795**	2,210	11·81	33·72	65·87	12·42
1979-80	10,962	20,797	**31,759**	739	616	3,634	**4,250**	7,444	3,181	**10,624**	**21,537**	2,100	13·38	33·45	67·81	9·75
1980-81	7,856	29,991	**37,847**	589	756	4,092	**4,848**	9,079	4,112	**13,190**	**25,270**	1,759	12·81	34·85	66·77	6·96
June, 1981	8,148	32,036	**40,184**	564	936	4,517	**5,453**	9,976	4,246	**14,222**	**26,400**	2,213	13·57	35·39	65·70	8·38
July, 1981	8,105	32,507	**40,612**	564	936	5,006	**5,860**	10,580	4,306	**14,886**	**26,779**	2,163	14·43	36·65	65·94	8·10
August, 1981	8,141	32,847	**40,988**	562	835	4,543	**5,379**	10,560	4,380	**14,940**	**26,791**	2,022	13·12	36·45	65·36	7·55
September, 1981	8,019	33,371	**41,390**	586	824	4,709	**5,533**	10,333	4,501	**14,835**	**27,035**	1,875	13·37	35·84	65·32	6·94
October 8, 1981	8,275	33,690	**41,965**	625	866	4,750	**5,616**	10,077	4,668	**14,745**	**27,854**	1,919	13·38	35·14	66·37	6·89
November 6, 1981	8,386	33,686	**42,071**	592	881	4,742	**5,623**	10,142	4,672	**14,814**	**27,959**	1,983	13·37	35·21	66·46	7·09
A year ago	8,379	26,443	**34,822**	475	686	4,259	**4,945**	8,421	3,710	**12,131**	**22,911**	1,834	14·20	34·84	65·79	8·00

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* Inclusive of the figures pertaining to Regional Rural Banks. † On various dates commencing from January 1978 a number of scheduled commercial banks have classified a larger proportion of their savings deposits as time deposits and a smaller proportion as demand deposits. [1] As available in the Reserve Bank records. [2] As per the statement of affairs of the Reserve Bank of India. [3] At book value; including treasury bills and treasury deposit receipts, etc. [4] Effective July 27, 1979, the data are inclusive of *all* participation certificates (PCs) issued by scheduled commercial banks, i.e. to other banks *and* financial institutions. Prior to this date, the data were inclusive of PCs issued to *banks only and not to financial institutions.* @ Figures relate to advances of *Indian* Scheduled Commercial Banks. Later figures include such advances by *Foreign* Scheduled Banks also.

Money Stock Measures

(Rs. Crores)

As on last Friday/Friday	Currency with the Public: Total	Currency with the Public: *Of which* Notes in Circulation	Deposit Money of the Public: Total	Deposit Money of the Public: *Of which* Demand Deposits with Banks*	M_1* (1+2)	Post Office Savings Bank Deposits	M_2 (3+4)	Time Deposits with Banks*	M_3 (3+6)	Total Post Office Deposits	M_4 (7+8)
	(1)	(1a)	(2)	(2a)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1975-76	6,704	6,492	6,439	6,385	**13,143**	1,475	14,618	9,143	**22,286**	3,179	25,465
1976-77	7,873	7,700	7,736	7,636	**15,609**	1,537	17,146	11,671	**27,280**	3,607	30,887
1977-78	8,631	8,559	9,752	9,683	**18,383**	1,677	20,060	14,522	**32,905**	4,130	37,035
1978-79	10,212	10,224	11,607	11,405	**21,819**	1,850	23,669	18,070	**39,889**	4,777	44,666
1979-80	11,687	11,777	12,587	12,176	**24,274**	2,036	26,310	22,526	**46,800**	5,658	52,458
1980-81	13,464	13,690	9,714	9,397	**23,178**	2,238	25,416	32,044	**55,222**	6,512	61,734
June, 1980	12,052	12,323	12,122	11,882	**24,174**	2,020	26,194	24,656	**48,830**	5,763	54,593
September, 1980	11,646	11,784	11,915	11,735	**23,561**	2,052	25,613	26,004	**49,565**	5,944	55,509
December, 1980	12,629	12,874	9,014	8,795	**21,643**	2,083	23,726	31,068	**52,711**	6,095	58,806
March, 1981	13,464	13,690	9,714	9,397	**23,178**	2,238	25,416	32,044	**55,222**	6,512	61,734
June, 1981	13,989	14,393	9,853	9,737	**23,842**	2,157	25,999	34,146	**57,988**	6,520	64,508
July, 1981	14,061		9,958	9,781	**24,019**			34,730	**58,749**		
August, 1981	13,219		9,961	9,780	**23,180**			35,066	**58,246**		
September, 1981	13,191		9,824	9,665	**23,015**			35,586	**58,601**		
October, 1981	13,955		10,089	9,918	**24,044**			35,898	**59,942**		
A year ago	12,195		10,423	10,264	**22,618**			28,043	**50,661**		

*On various dates commencing from January 1978, a number of scheduled commercial banks have classified a larger proportion of their savings deposits as time liabilities (deposits) and a smaller proportion as demand liabilities (deposits).

Sources of Change in M_3

(Rs. Crores)

As on last Friday/ Friday	Net Bank Credit to Government: RBI's Net Credit	Net Bank Credit to Government: Other Banks' Credit	Net Bank Credit to Government: Total (1a+1b)	Bank Credit to Commercial Sector*: RBI's Credit	Bank Credit to Commercial Sector*: Other Banks' Credit	Bank Credit to Commercial Sector*: Total (2a+2b)	Net Foreign Exchange Assets of Banking Sector: RBI's	Net Foreign Exchange Assets of Banking Sector: Other Banks'	Net Foreign Exchange Assets of Banking Sector: Total (3a+3b)	Government's Currency Liabilities to the Public	Banking Sector's Net Non-monetary Liabilities (Other than Time Deposits): of RBI	Banking Sector's Net Non-monetary Liabilities (Other than Time Deposits): Residual	Banking Sector's Net Non-monetary Liabilities (Other than Time Deposits): Total (5a+5b)	M_3 (1+2 3+4 —5)
	(1a)	(1b)	(1)	(2a)	(2b)	(2)	(3a)	(3b)	(3)	(4)	(5a)	(5b)	(5)	(6)
1975-76	6,697	3,414	**10,112**	721	14,671	**15,392**	1,078	15	**1,094**	**555**	2,577	2,290	4,867	**22,286**
1976-77	6,926	4,096	**11,022**	887	17,617	**18,503**	2,542	—70	**2,471**	**568**	2,833	2,451	**5,284**	**27,280**
1977-78	7,387	6,083	**13,470**	954	20,268	**21,222**	4,532	– 87	**4,445**	**593**	3,452	3,373	**6,825**	**32,905**
1978-79	8,568	6,823	**15,391**	1,248	24,100	**25,347**	5,506	—72	**5,434**	**603**	3,312	3,574	**6,886**	**39,889**
1979-80	11,534	7,696	**19,230**	1,547	29,085	**30,632**	5,494	—93	**5,401**	**592**	3,930	5,125	**9,055**	**46,800**
1980-81	15,233	9,363	**24,596**	1,703	34,620	**36,323**	4,710	—93	**4,617**	**609**	4,741	6,182	**10,923**	**55,222**
June, 1980	12,422	8,725	**21,147**	1,563	29,749	**31,312**	4,967	—93	**4,873**	**601**	3,856	5,247	**9,103**	**48,830**
September, 1980	12,503	9,742	**22,245**	1,522	30,141	**31,667**	5,095	—93	**5,002**	**600**	4,483	5,466	**9,949**	**49,565**
December, 1980	13,871	9,312	**23,183**	1,623	32,742	**34,365**	4,735	—93	**4,642**	**607**	4,270	5,816	**10,086**	**52,711**
March, 1981	15,233	9,363	**24,596**	1,703	34,620	**36,323**	4,710	—93	**4,617**	**609**	4,741	6,182	**10,923**	**55,222**
June, 1981	17,278	10,265	**27,543**	1,689	35,885	**37,574**	4,248	—93	**4,155**	**611**	5,114	6,781	**11,895**	**57,988**
July, 1981	17,469	10,901	**28,370**	1,765	36,297	**38,062**			**3,930**	**611**	4,787	7,437	**12,224**	**58,749**
August, 1981	16,165	10,876	**27,071**	1,759	36,322	**38,081**			**3,623**	**609**	4,390	6,748	**11,138**	**58,246**
September, 1981	17,054	10,652	**27,706**	1,784	36,664	**38,448**			**3,515**	**611**	5,159	6,520	**11,679**	**58,601**
October, 1981	18,134	10,400	**28,534**	1,776	37,718	**39,494**			**3,496**	**614**	5,441	6,755	**12,196**	**59,942**
A year ago	12,903	9,334	**22,237**	1,525	31,058	**32,583**			**4,905**	**602**	3,616	5,050	**9,666**	**50,661**

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Printed and Published by R.P. Agarwala on behalf of the Eastern Economist Ltd. United Commercial Bank Building, Parliament Street, New Delhi at the New India Press, K-Block, Connaught Circus, New Delhi.
Editor : Swaminathan S. Aiyar.

Registered at the GPO, London
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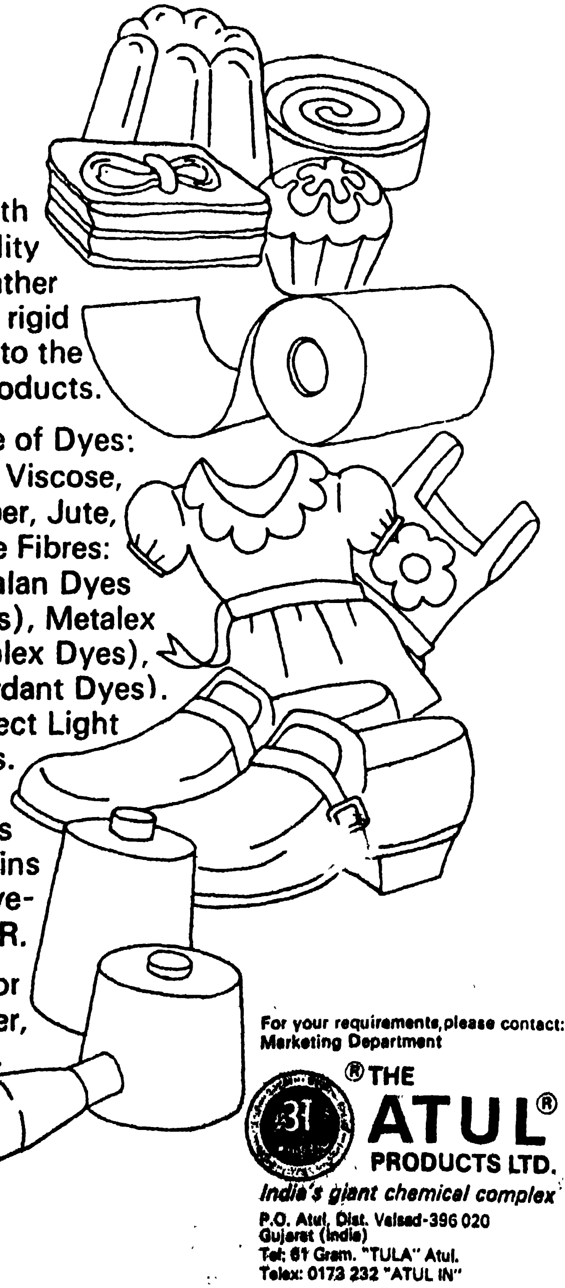

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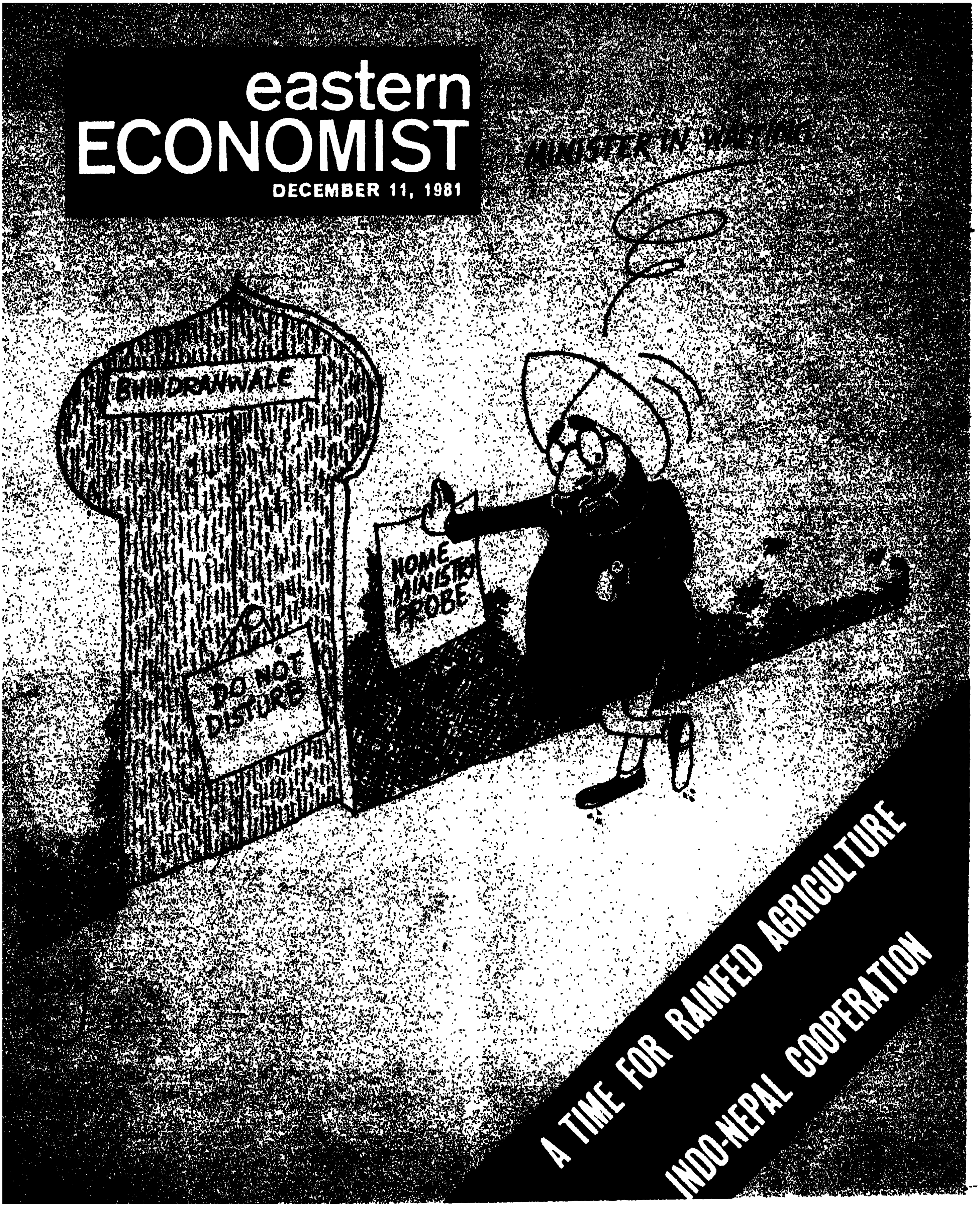

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This Week

December 2

The Tamilnadu Government fixed the minimum price for sugarcane for the 1981-82 season at Rs 155 per tonne against Rs 130 fixed by the Union Government.

The SAIL plants produced a record 4,74,200 tonnes of saleable steel last month. This represented a rise of 13.4 per cent over the corresponding period last year.

India has emerged as a major exporter to the United Arab Emirates with the UAE now importing over 710 million dirhams worth of Indian products annually.

December 3

The Prime Minister, Mrs Indira Gandhi, categorically told the Rajya Sabha in the context of IMF loan that the Government had no intention of deviating from the basic goal of achieving self-reliance.

Wholesale price index for the week ended November 21 came down to 279.9 against 282.6 on October 24 and 284.7 on September 26.

The Pound Sterling has become 15 per cent cheaper following the Reserve Bank upvaluation of the rupee by 0.85 per cent. RBI has fixed the new middle rate at Rs 17.75 per pound against the earlier Rs 17.90.

December 4

The Energy Minister, Mr A.B.A. Ghani Khan Chaudhuri, told Parliament that the Government would allow private investment in power generation, but the task of distribution would remain with the Government.

Trade between India and Poland is envisaged to have a turnover of about Rs 280 crores each way during 1982 under the trade protocol signed in New Delhi. This is a 20 per cent increase over the level of trade during the current year.

December 5

The Additional Sessions Judge, Mr Jagdish Chandra, appointed the one-man commission to inquire into Qutab tragedy which took 45 lives.

The four-party leftist combine has decided to contest all the 28 seats in the ensuing Tripura tribal autonomous district council elections in January.

The Soviet Union denounced as "inherently absurd" US Government reports that Soviet-produced chemical weapons were used in South-East Asia and Afghanistan.

December 6

Dr. R.S. Murthy, a leading soil scientist, has been selected for the Borlaug award for 1980.

Unemployment rate in the US touched an all-time high in November. According to the Labour Department, the rate last month climbed to 8.4 per cent of the total workforce as compared with eight per cent in October. There were 0.9 million Americans jobless last month.

December 7

In what the Opposition termed as an "unprecedented" move, the Railway Minister, Mr Kedar Pandey, announced in the Lok Sabha an additional supplementary charge on the total freight in respect of goods traffic, both wagon loads and smalls, to mobilise additional resources of around Rs 80 crores for the Railways in the last quarter of the current financial year.

The import of billets and hot rolled sheets/strips/coils in some categories have been canalised through the Steel Authority of India.

An Indian official team led by Secretary, External Affairs, Eric Gonsalves, left for Beijing to take part in talks on the border question and bilateral relations.

December 8

Mr Kartik Oraon, Union Minister of State for Communications, died following a heart attack.

M.F.A. **Siddiqui, a Bangladesh re**presentative in the Indo-Bangladesh Joint Rivers Commission has rejected India's proposal for linking the Brahmaputra and the Ganga by a canal of 100,000 cusec capacity through a populous area of Bangladesh as a means of augmenting water in the Ganga during the lean period.

France is willing to assist India in developing its nuclear energy and would not hesitate to give fast breeder reactor know-how for the test reactor at Kalpakkam, near Madras.

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Railway Finances

QUICK REMEDIAL action if something goes wrong is always welcome. The Railway Minister's proposal to step up freight rates with effect from January 1, 1982, thus, is welcome, although the way it has been presented as part of a statement on railway finances has raised many an eyebrow in Parliament. A supplementary budget would have been the most appropriate procedure. Instead, Mr Kedar Pandey has thought it fit to even delink the statement from the supplementary demands for grants of his Ministry.

While no adjustment has been proposed in the passenger fares, an additional supplementary charge is to be levied on revenue-earning goods traffic at the rate of 10 per cent for distances not more than 500 kms and 15 per cent for distances beyond. It is also to be imposed on the minimum freight charge, wherever leviable. The transhipment and other miscellaneous charges are to go up by 10 per cent. A three per cent supplementary charge is to be levied on traffic booked on "to pay basis". The additional receipts from these modifications are expected to be around Rs 80 crores during the January-March period. In a full year, they should yield over Rs 300 crores.

The additional annual burden that Mr Pandey has cast on the railway users this year alone comes to over Rs 660 crores: he had raised railway tariffs in this year's budget in February to net Rs 356.26 crores. This heavy dose has been administered on top of the Rs 300 crores resource mobilisation effort of Mr Kamlapati Tripathi in 1980-81 and Mr Madhu Dandvate's Rs 178 crores endeavour in 1979-80. The next year's railway budget may not contain a further sharp increase in fares and freight rates. Some adjustments, of course, should not be ruled out for the Paranjape Committee's recommendations have yet to be fully implemented in certain respects, though in some others the increases effected by February last had outstripped the suggestions.

The additional supplementary charge has been proposed to keep the railway finances on "an even keel". Mr Pandey has revealed that the post-budgetary developments have pushed up expenses by about Rs 245 crores. Taking into account an expected increase of Rs 170 crores in revenue earnings over and above the budgetary estimate, the anticipated Rs 8.43 crores surplus will be converted into a deficit of at least Rs 64 crores. The proposed revision in freight charges is meant to cover this deficit and yield approximately the original anticipated surplus.

Mr Pandey's statement appears to hide more than it reveals. By October-end 17.69 million tonnes more revenue-earning originating goods traffic had been moved by the railways, as against the incremental target of 20 million tonnes for the year. Mr Pandey expects that the increase in goods traffic over the year will exceed the target. The growth in passenger and other coaching traffic too has been heartening. On current reckoning, the Rs 3276.75 crores budgetted gross receipts are expected to be exceeded by as much as Rs 170 crores. This may prove to be an underestimate for the goods traffic lead, which has been making a vital difference to expectations, has not been disclosed. The lead assumed for budgetary purposes was just 710 kms as against approximately 746 kms last year and 749 kms in 1979-80. Some reduction in the lead from the previous two years had to be there this year, but surely it could not be expected to go down below the 1977-78 (the most normal year for railway operations) level of 713 kms.

Mr Pandey's disclosure that the expenses of railways are likely to go up by Rs 245 crores due to post-budgetary developments and the extra expenditure to be incurred on additional movement, indeed, is baffling. Some cushion is always kept in the budget estimates for this purpose. The major cost escalations for railways had taken place before this year's budget was presented. They related to steel, petroleum products and several other inputs. Some increase in dearness allowance was also on the cards. That is why this year's operational expenses were anticipated to go up by about Rs 300 crores. The post-budget developments, including the July hike in petroleum prices, somewhat greater incidence of inflation on dearness allowance and the cost of material inputs, cannot be said to have thrown the budgetary estimates so out of gear. Mr Pandey is on record to have claimed just 4½ months ago that the railways had come out of the "red".

What then can be the reason for the proposed raises in freight charges ? It appears that the budget estimates, particularly on the expenses side, have gone away because of their base proving to be a gross underestimate. The revised estimates for 1980-81 put that year's deficit at Rs 52.34 crores. By June, it was clear that the deficit was at least Rs 140 crores. This figure is still undergoing revision and the actual deficit is expected to be much higher.

The viability of railways, however, cannot be restored through resort to the easy option of burdening the users. The railways, of course, must keep a rational balance between expenditure and receipts and ought to realign their tariff structure to the increasing costs. But they also have to ensure optimum operations. This calls for concerted efforts at raising productivity all through their working. The audit reports of railways are an eloquent testimony to the vast scope for improvement in their working. This is the crucial task that ought to be attended to expeditiously and concertedly.

Cloth for the Commissars

Is there really a textile recession ? The FICCI President, Mr Arvind Lalbhai, says so. But we now have the astonishing spectacle of Soviet Russia offering to buy 500 million metres of cloth per year for 20 years, and the industry saying it lacks the capacity. Total loom capacity in the mill sector exceeds 4000 million metres, and there is almost twice as much in powerlooms and handlooms. The Russian offer comes to barely 4 per cent of total capacity, and 12 per cent of mill capacity. If the industry cannot service even this, it can hardly expect anybody to believe its cries of recession. It claims to be nursing two months' production in inventories, If so, this inventory alone will suffice to meet the Russian offer.

It is another matter that the Russian offer is still verbal, and has not been broken down into different varieties. It seems likely that much of it will be in the form of garments or uniforms, not just cloth. India's cloth exports in recent years have fared very badly. It is able to use hardly a quarter of its quotas in the EEC and the USA. Its uncompetitive character is underlined by its failure to export significant quantities to the Persian Gulf, despite the transport advantage and absence of protectionism. Fabric exports are less than 350 million metres, and of this around 150 million metres has anyway gone to the USSR.

The industry argues that it cannot give up other markets or starve the home market to satisfy the Russians. It feels that a start could be made by exporting 300 million metres per year, to be raised to 500 million metres later. There is apparently neither enough cotton or loom capacity available today; the Russians are willing to supply both raw cotton and textile machinery.

Thus the logistics can be worked out, if necessary with a time lag of a few years. The really critical question is going to be the price. This was the hurdle which led to the collapse of the mammoth wagon order that Russia proposed in the late 1960s. And the cotton conversion deal of the mid-1970s left a bad taste in the mouth of industry, which felt it did not get a sufficient conversion price. The Russians will, quite naturally, insist on internationally competitive prices. And our industry, not being competitive, will stall at this. Most of our mills suffer from obsolete machinery, and those having modern machinery complain of the high import duty of 40 per cent. The Commerce Ministry favours the duty-free import of machinery for export-oriented units. No doubt the domestic textile machinery manufacturers will then holler murder.

Hence there will be plenty of rancour and mud-slinging by the time the deal comes through, if at all. India has good reason to latch onto the Russian order as a long-term arrangement that can be pegged to the overdue modernisation of the textile industry. If we can become efficient enough to service the Soviet order at world price, it follows that we will also become competitive enough to utilise our OECD quotas and penetrate Gulf markets.

Attrition in Assam

What happens when an irresistible force meets an immovable object ? Nobody knows for certain but most probably some sort of an impasse results. Something like this seems to be happening in Assam. If it had not been for the crucial importance of the tangle in that State the whole thing would have degenerated into something of a bore.

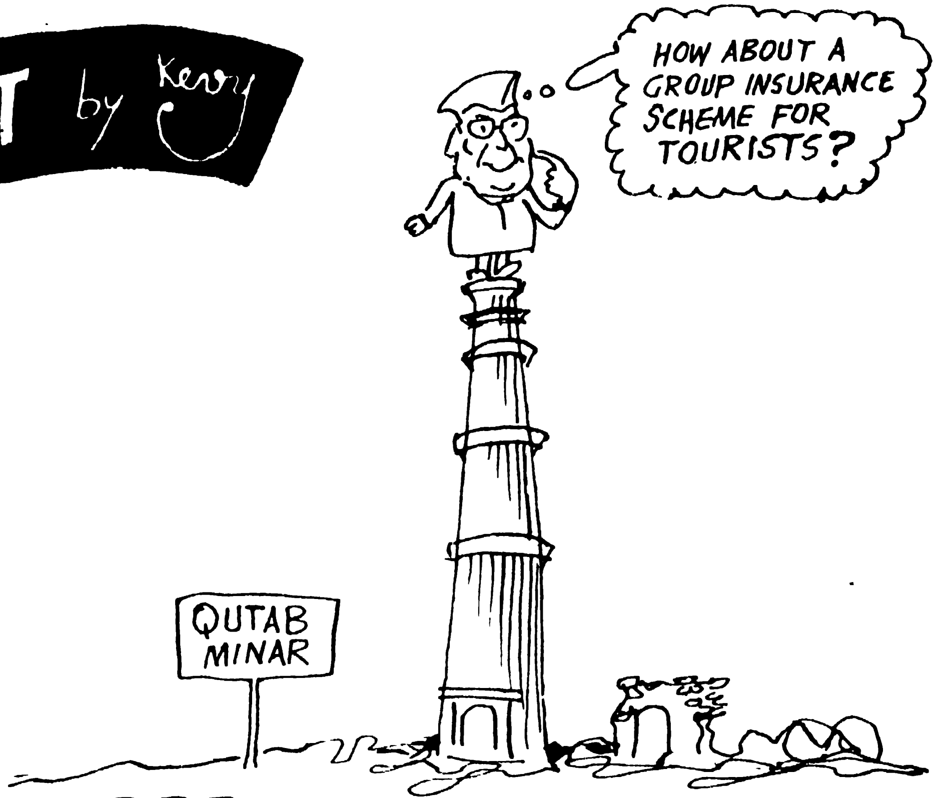
As things stand, however, the situation could become more lively. There is a real danger—unless a great deal of good sense prevails—that the disturbances that the agitation leaders plan to start on December 14 will develop into the sort of disaster that occurred last year.

Although the leaders intend to restrict the so-called civil disobedience movement to 36 hours only, its nature is such that it is bound to spill over beyond December 16. It is hard to say what concrete results the leaders hope to achieve by going in for ticketless travel, closing schools and colleges and mass rallies to mourn the dead. Obviously the objective could not be to focus attention on the issue which has already become a national one. The only other purpose could be to bully the Central Government around a bit in the hope that it will unbelt a few concessions.

The questions that need to be asked are : Is it necessary to take to the street? And can the country afford such disruption in view of the importance of Assam's oil ? Giving the benefit of the doubt to the leaders of the Assam agitation—which implies that they have tried their best at the 14 rounds of negotiations with Mr Zail Singh while the Government has not—it is still difficult to make out a case for the methods that are sought to be employed. The Assam leaders must ask themselves the question (indeed, one assumes that they already have) : will this get us anywhere ? The answer is : most probably not. It is hard to conceive of the Central Government agreeing to something which it could not possibly carry out.

It is also difficult to determine who—the Government or the leaders of the Assam agitation—is being more intransigent. The foreigners issue has been settled at least in part. Those who came into Assam from East Pakistan during 1951-61 will be allowed to stay on and those who came after 1971 will be deported to Bangladesh under the agreement between Mrs Gandhi and Mr Mujibur Rehman. The problem, therefore, is regarding the residual who came during 1961-71. Their numbers are estimated to be around 14 lakhs. Some of them came as genuine refugees and as such perhaps have a claim to being treated kindly. Others may have a less pressing claim on Indian benevolence. But who is to separate the two ? And how ?

THIS 'N THAT by Kerry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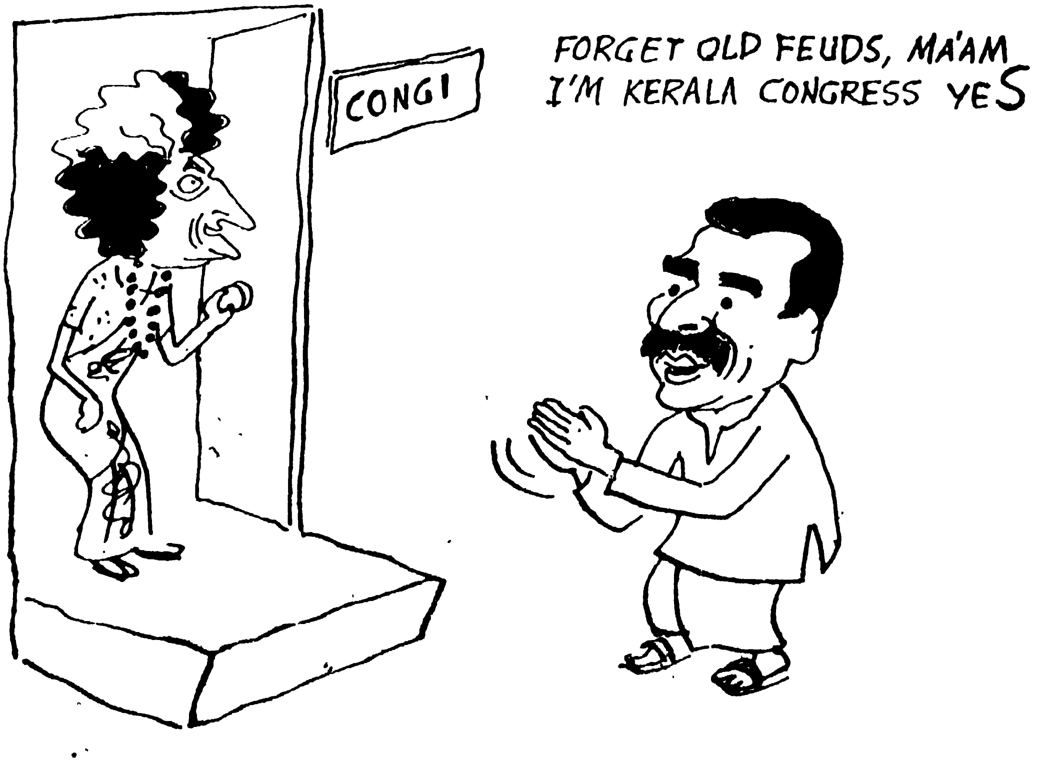
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FORGET OLD FEUDS, MA'AM I'M KERALA CONGRESS YES

Rao Birendra Singh in Blunderland

Swaminathan S. Aiyar

DESPITE HIS best efforts, our Union Agriculture Minister, Rao Birendra Singh, can sometimes look like a Haryana bull in a china shop. His latest effort has been to grossly mislead Parliament on the agricultural terms of trade. This does not seem to be a piece of political cheating—it looks more like a hilarious blunder. One wonders whether Parliament will laugh or scream.

"The Union Agriculture Minister, Rao Birendra Singh, told the Rajya Sabha today that as a result of the deliberate policies adopted by the Government, the terms of trade reached the record level of 99.7 per cent by the latest estimate in favour of the farmers. During 1979-80, the terms of trade had dipped to 87.4 per cent."

Thus began an official press note issued on December 2. The Rao was clearly trying to show that the present Government was a champion of farmers, and had done much more for them than the previous Janata and Lok Dal Governments. This is a piece of fiction. The table alongside, compiled by our Statistician, Mr P. Vaidyanathan, shows that the terms of trade this year have fluctuated between 80.6 per cent in April and 89.4 in mid-November. The average for this period works out to 86.2 per cent. In other words, the trend has actually been worse than in the bad old Janata-Lok Dal year of 1979-80. And yet we have the spectacle of the Agriculture Minister claiming that the terms of trade have shot up to 99.7 per cent. What is the evidence for his estimate?

The figures in our table are taken from official price statistics compiled by the Office of the Economic Adviser, with the base year 1970-71 = 100. The figure of 87.4 per cent for 1979-80 quoted by Rao Birendra Singh tallies with our table. Thus it seems that we are talking about the same set of statistics. How then has he come up with the incredible figure of 99.7 per cent for terms of trade?

The answer seems to be that he has committed a major statistical blunder, either through peasant ignorance or as a sophisticated piece of deception. He seems to have mixed up primary articles and agricultural goods. Primary articles consist mainly of agricultural goods, but they also include minerals like oil. And, as we all know, the price of oil has shot up more than twenty-fold since 1970, whereas the price of agricultural goods has barely doubled.

Index Numbers of Wholesale Prices

Relative Prices of Manufactured Products and Agricultural[1] Products

(Base: 1970-71 = 100)

Average of months/ Average of weeks ended Saturday/Week ended Saturday	'General' or 'All Commodities' Index	Index of Manufactured Products	Index of Agricultural Products*	(4) as per cent of (3)
Weight	1000.00	498.74	404.20	
(1)	(2)	(3)	(4)	$(5)=\frac{(4)}{(3)}\times 100$
1974-75	174.9	168.8	169.9	100.7
1975-76	173.0	171.2	157.3	91.9
1976-77	176.6	175.2	158.5	90.5
1977-78	185.8	179.2	174.8	97.5
1978-79	185.8	179.5	171.9	95.8
1979-80	217.6	215.8	188.7	87.4
1980-81 (P)	256.9	257.0	210.3	81.8
April, 1981	274.6	274.2	221.1	80.6
May, 1981	276.9	274.5	226.1	82.4
June, 1981	278.9	275.9	229.5	83.2
July, 1981	285.7	275.0	241.9	88.0
August, 1981 (P)	287.4	275.3	244.7	88.9
September, 1981 (P)	284.5	271.2	241.1	88.9
October, 1981 (P)	283.6	270.5	239.5	88.5
November 7, 1981 (P)	280.3	266.1	237.5	89.3
November 14, 1981 (P)	280.4	266.1	237.8	89.4
November 21, 1981 (P)	279.9	266.2	236.5	88.8
November 28, 1981 (P)	278.5	263.6	236.2	89.6
A year ago	258.5	254.7	216.3	84.9

---

[1] Including Animal Husbandry.

*Weighted Average Index of those of the groups 'Food Articles' and 'Non-Food Articles' of the major group 'Primary Articles' in the classification by the Office of the Economic Adviser.

(P)—Provisional (and subject to revision).

Source: Office of the Economic Adviser, Ministry of Industry, Government of India.

As a result, the index for primary articles on November 7 stood at 265.3, whereas the index for agricultural goods was only 237.5. The index for manufactured goods was 266.1. The Rao compared primary articles with manufactured goods, and came up with terms of trade of 99.7 per cent. If he had actually compared agriculture with manufactures, he would have found the index to be only 89.3.

Thus the Rao is in the hilarious position of pretending that the hike in oil prices has benefited farmers, when in fact it has been the biggest single price factor against them.

The press note claims that the level of 99.7 per cent is a record. Anybody with an iota of sense would realise that such a claim is nonsensical, as 99.7 per cent is by definition less than the base level of 100.0 pertaining to the base year 1970-71. And 1970-71 was by no means the peak year. The terms of trade were 100.7 per cent in 1974-75.

There is no basis for Rao Birendra Singh claiming that farmers have done better under the present Government than in the Janata-Lok Dal interregnum of 1977-80. They have in fact fared much worse. The terms of trade in the three Janata-Lok Dal years were 97.5 per cent in 1977-78; 95.8 per cent in 1978-79; and 87.4 per cent in 1979-80. In Mrs Gandhi's first full year in office for her current term (1980-81), the terms of trade of agriculture fell sharply to 81.8 per cent. They have now recovered to around 89 per cent in November 1981. That is an improvement, but still below the Janata-Lok Dal levels.

Eastern Economist holds no brief for farmers. This magazine has in fact been concerned about excessive farm prices from time to time (the present price of sugar-cane being a prime example). And we share the concern of Dr I.G. Patel, Governor of the Reserve Bank, that high administered prices for agriculture could become an engine for inflation.

But we owe it to the public to put the record straight on agricultural terms of trade.

प्रो. बिरला जूट मैन्यू. कं. लि. कलकत्ता-१.

Instead of regrets, may we suggest prevention.

In India, fire destroys property and goods worth Rs.3 crores every day. Over a thousand people die and several lakhs are injured or incapacitated every year.

Apart from the loss of life and property, equipment and material lost take time to replace. Production is badly affected, the market is lost to competition, workers face unemployment and goodwill of business developed over years is suddenly jeopardised.

The sad part of it all is that most fires are preventable. They can be foreseen and their damage potential minimised.

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CASLPA 36-254

A Time for Rainfed Agriculture—I

Dr L. D. Swindale

..........the successful agricultural experience of recent years has taught us that agriculture is a potent instrument for rapid economic growth. What now needs to be realised is that the rainfed areas are not just problem areas requiring famine relief and protection, but can be major contributors to growth, to increasing employment and to the rapid reduction of rural poverty.........

The Coromandel Lecture and the Borlaug Award has acquired a significant place in centres of learning, research and public discussions. It has come of age. Over the past decade, such eminent thinkers as Sir Joseph Hutchinson, Dr Norman E. Borlaug, Dr I. G. Patel, Dr M. S. Swaminathan and Dr Sylvan H. Wittwer, have spoken at this forum on subjects of critical importance to agriculture and human welfare generally. With the new awakening of interest in such themes, this lecture series has been warmly welcomed and prized.

This year—the eleventh in the series—Dr L. D. Swindale, Director-General of the International Crops Research Institute for the Semi-Arid Tropics, spoke on December 10 on the important subject of getting increasing returns from rainfed agriculture.

The Borlaug Award is presented to scientists for outstanding contribution to agriculture. The distinguished winners of this award have always contributed greatly to advance of agriculture in different parts of the world. This year's award has gone to Dr R. S. Murthy, Director, National Bureau of Soil Survey and Land Use Planning, Nagpur, for his work on transfer of technology to dry land farming.

THE WORLD is aware of India's agricultural miracle. To quote a recent article in the *New York Times* "India once written off as a hopeless case has almost tripled its food production in the last 30 years and now has a comfortable reserve for future bad years." Dr I.G. Patel in last year's Coromandel lecture spoke of the anguish of those bad years in the late 60's; anguish because so many people suffered and hungered and anguish at the contempt in which India's efforts towards self-sufficiency in food were held in those unhappy days. Recently an American writer predicted that India could soon become the world's number one producer of grain. Quite a change; from a basket case to a bread basket in a few decades.

The success that has been achieved here has been accompanied by improved agricultural infrastructure and supply of inputs and the development of an adequate market structure. We can believe that a reasonable rate of progress will continue, that periodic droughts will be withstood and that an agricultural base for the improvements of other sectors of the economy now exists. The manner in which the country weathered the 1979-80 drought described by many as the worst drought of the century illustrates the solidity of the existing agricultural sector. In my travels around the world I have on several occasions amazed people by informing them that India sustained the worst drought of the century in that year. They did not know, had not even heard. There was no starvation, no catastrophe, no massive food aid from foreign sources. The world press, finding nothing bad to write about, wrote nothing and the world stayed unaware.

This is not to say, of course, that the worst drought of the century passed without trace. We well know in this country of the many problems that were caused — the draw down in food stocks, the loss of hydroelectric energy, the reduced utilization of industrial capacity, and severe inflation. Further droughts in several areas of the country in 1980-81 aggravated the problem and lengthened the recovery period. The prospects for this year's harvest seem good and this may complete the recovery and consign the 1979-80 drought to history. A brief smile of satisfaction can be allowed all around. India, as the Prime Minister has been quoted as having said recently at the North-South Summit at Cancun, is again poised for take-off for rapid development and rapid reduction in poverty.

Agricultural progress must continue but at a greater rate than ever before. Plans to ensure that this will be done are in hand and are embodied in the chapters of India's Sixth 5-year Plan. A compound growth rate of 5.2% per annum is projected for agriculture for the Sixth Plan period, the same figure that is projected for growth in the economy as a whole. The Plan reads very well, all the interlocking calculations have no doubt been done, the targets and projections seem to make sense, and the general tone is optimistic and confident. And yet it may not be enough.

FAO, in a recent document prepared for the Seventh Ministerial Session of the World Food Council (WFC 1981-5), estimates that world cereal production needs to increase at 4% per annum to meet consumption requirements, or at a greater rate if stocks are to be replenished. The National Planning Commission projection of 3.65% growth in Indian cereal production over the Sixth Plan period is below the consumption requirement projected by FAO. The difference of 0.35% is significant because India is such an important nation in the world grain scene. Nonetheless, the Indian projection itself must be considered somewhat optimistic. At no time in the last 30 years has the growth rate in cereal production for any 5-year period reached 3.65%. Mostly it has been below 3%. Can India then do more? Can it reach its own projected targets? Can it exceed them? Can it reach a growth rate of 4.65% instead of 3.65% and thus supply grain to other nations and contribute to the replenishment of world food stocks?

TABLE I

Production 1979-80 to 1984-85* and growth rates for production and yield of cereals in India

Cereal	Production		Growth rates	
	Base 1979-80	Target 1984-85	Production 1979-80 to 1984-85	Yields ha. Recent 5-year period
	(million tonnes)		%	%
Rice	51.24	63.00	4.2	3.4
Wheat	35.64	44.00	4.3	4.1
Sorghum	10.88	12.00	2.0	6.7
Pearl Millet	5.28	5.80	1.9	5.7
Maize	6.23	6.80	1.8	1.5
Other Cereals	6.98	7.50	1.5	2.6
Total Cereals	116.25	139.10	3.65	—

*Data for production and production growth rates taken from Sixth 5-Year Plan, Table 9.6.

If this is possible at all, it is most likely to be in those areas where Plan projections equal or are below recent performance trends. Table I, modified from a table in the Sixth Plan, gives the figures for cereal production for the 1979-80 base, the production target for 1984-85 — the end of the Plan period — the production growth rate necessary to achieve the target production, and the best growth rates in yields per ha. achieved in any recent 5-year period for the major cereal crops of the nation. The figures in the last column of the table will vary, of course, depending upon which years are chosen and how average yields are computed, but an examination of the actual yields over the last 10 years for which published figures are available (1968-69 to 1978-79) show that the trends in yield are accurately enough portrayed by the figures shown, except perhaps for pearl millet for which the year-to-year fluctuations are rather large.

The trends in yield suggest that opportunities do exist to increase cereal production above the projections of the Sixth Plan with sorghum and other coarse grains; cereals grown mainly under rainfed conditions. Is this now the time, then for rained agriculture to contribute more than its allotted share to the growth of agricultural and food production in this country?

If increases above the Sixth Plan projections are desirable, should they be sought in wheat and rice rather than in coarse grains? Recent growth in yields per hectare for these two crops are below the substantial growth in their production already required by the Sixth Plan. Thus further increases in their production could be achieved only by increasing the area of land upon which they are grown. For wheat and rice this means increasing the area of irrigated land above the 4.7% annual average growth rate projected in the Sixth Plan which would be difficult and costly to achieve.

In contrast, the growth rates in yields per ha. for sorghum and pearl millet are well above their production growth rates projected in the Sixth Plan. Even if land area used for these crops decreased it still would be relatively easy to achieve higher than projected rates of production.

Approximately 142 million hectares of land are cultivated in India every year. Of this area about 108 million hectares is used in rainfed agriculture. Because the possibility of bringing more land into cultivation is small, major attention must be given to increasing the use of existing land.

Massive development of irrigation will be the main approach. The Sixth Plan projects irrigation to increase at an average compound growth rate of 4.7% per year, similar to the projected rates of growth for rice and wheat production. By the mid-1990's some 70 million hectares of cultivated land will be irrigated. The remaining 72 million hectares, or nearly 50%

of the cultivated land, will remain in rainfed agriculture.

The rainfed agricultural areas lie mostly in the centre and west of the country between latitudes 12 degrees and 28 degrees north bounded longitudinally by a line running through Dehra Dun and Hyderabad on the east, and the national boundaries or the Western Ghats on the west. Nearly all the districts in this region have less than 25% irrigated land and most have less than 10%. Twenty of the 24 stations of the All-India Coordinated Research Project on Dryland Farming, lie west of the line between Dehra Dun and Hyderabad. The remaining four stations lie in the rainfed rice growing areas of the eastern States.

Varying Rainfall

The mean annual rainfall in the rainfed area varies from about 350 to 1400 mm. It is seasonal and received mostly during the south-west monsoon except in the south-east where additional rain is received in the north-east monsoon in the last few months of the year. Most of the region is semi-arid, but a substantial area in Rajasthan, Gujarat, and between Sholapur and Ananthapur is arid, with rainfall of 500 mm or less falling in just one or two months.

The soils are mostly black — Vertisols and associated shallower soils. But many other soils also occur in this vast area. Red soils — Alfisols — predominate in the southern rainfed regions below Hyderabad, red and yellow soils — Ultisols — in eastern India, and alluvial soils in the rainfed agricultural areas of the river basins. The technology used in rainfed farming must be tailored to the soils to which it is applied.

Currently the rainfed region provides only 42% of food grain production, but almost all the coarse grains, pulses, a substantial amount of rainfed rice and wheat, and most of the cotton are produced there. Average yields are low, generally below 800 kg ha. It is not difficult to believe that these low yields can be increased by 50 to 100% with the technologies that now exist.

To the surprise of many an academic, the subsistence farmer on close acquaintance proves to be a rational human being experienced in making economic choices and decisions. He is a subsistence farmer more by circumstance than by choice. Offer him proven opportunities to significantly increase his income and improve the quality of his life and he will gladly accept them. But do not expect him to accept technological changes that are not adequately tested or understood, or which cannot fit his circumstances. The more complicated the technology, the less willing he will be to try it. The possibility of adopting a package of practices piecemeal is likely to have considerable appeal.

The combination of improved, input-responsive seeds and fertilizers is composed of elements with which most farmers now have some acquaintance, is scale neutral and simple enough to try. An overwhelming body of evidence suggests that the combination succeeds in nearly all years in most rainfed regions. Its adoption provides substantial financial benefits to the farmer changing his attitude towards intensive agriculture and giving him the confidence to accept other improved practices.

Improved Seeds

The cobination of genes for reduced plant height and reduced susceptibility to lodging with genes for responsiveness to applied nutrients resulted in quantum jumps in the yields of wheat and rice in irrigated agriculture. Similar approaches are proving successful with maize, sorghum and the millets grown in rainfed conditions. Improved varieties and hybrids significantly outyield local varieties in most years in most rainfed areas. The cost of purchasing improved seeds is small for these crops and the benefits substantial. The ratio of benefit to additional cost is often in excess of 10 — by all standards sufficient to ensure widespread adoption. Satisfactory grain quality, earliness and suitable levels of disease and pest resistance are necessary in combination with the high yields to make the improved cultivars attractive to farmers. Although year-to-year variability in yield is higher for improved cultivars than for local varieties, the yield gains and other characteristics of good cultivars are sufficient to persuade farmers to take the higher risks involved. In Maharashtra State hybrids now make up 35% of all sorghum planted in the rainy season, and improved varieties make up more than 70% in the post-rainy season. Average yields in the State are 50% higher than they were ten years ago.

Transient Problem

In spite of the apparent benefits, rates of adoption of improved seeds of the dryland crops lag far behind the rate of adoption of high yielding varieties of irrigated wheat, although they are not so far behind the rates for high yielding varieties of irrigated rice (Table II). Sometimes improved cultivars are susceptible to pest attack when grown near local varieties, or their grain quality is judged inferior or they do not provide enough straw for forage. These are generally transient problems that diminish in importance as the improved seeds spread. Transient, too, is the farmer's perception that the new varieties are more risky in rainfed conditions. New varieties and hybrids now go through many years of tests before they are released for farmers' use. They perform better under stress than local varieties, and better under both low and high fertility conditions also.

Perhaps the major reason for the slow rate of adoption is that the introduction of new seeds alone does not represent a large enough change in the pattern of traditional agriculture to arouse the farmer's interest. Small faults or problems either real or imagined associated with the new seeds dissuade him from trying them. They are simply not worth the trouble.

Although most of the soils in the rainfed area of the country are low in fertility, particularly in nitrogen, phosphorus and zinc, fertilizers are not commonly used in rainfed agriculture. Districts with less than 25% irrigated land use an average of 18 kg/ha. of fertilizers (N + P_2O_5 + K_2O) per hectare of cropped area compared to 57 kg/ha. in irrigated districts. Most of the fertilizers used in these unirrigated areas are concentrated on the small areas of irrigated crops such as rice and sugarcane, but some are used on dryland cash crops such as cotton, tobacco and groundnut or on high yielding cultivars of sorghum or millet.

There is much evidence to show that fertilizer use is economic on the staple, rainfed cereals. Several hundred experiments on cultivators' fields with sorghum, maize and pearl millet in rainfed areas of India have given average gains of 14 kg of grain per kg of N and 7 kg grain per kg of P_2O_5. Benefit to cost ratios are 2.5 or better. Response to fertilizers by available varieties of rainy season sorghum and pearl millet are generally better than responses by rainy season maize or post-rainy season sorghum.

Soil type and particularly water-holding capacity of the soil have significant effects on the efficiency of fertilizer use. Crops grown on the same soil in the rainy season will usually have higher fertilizer-use efficiencies than crops grown in the post-rainy season on receding stored moisture.

Correct timing and placement of fertilizers are important for beneficial results. Nitrogen is most effectively used in split applications. Compound

TABLE II

Adoption of HYVs for important food crops of India (1966-67 to 1977-78)*

	Food Crop									
	Paddy		Wheat		Maize		Pearl Millet		Sorghum	
Cropping year	Total cropped area ('000 ha)	HYV adoption (%)	Total cropped area ('000 ha.)	HYV adoption (%)	Total cropped area ('000 ha.)	HYV adoption (%)	Total cropped area ('000 ha.)	HYV adoption (%)	Total cropped area ('000 ha)	HYV adoption (%)
1966-67	35251	2.5	12838	4.2	5074	4.1	12239	0.5	18054	1.1
1967-68	36437	4.9	14998	19.7	5583	5.1	12808	3.3	18423	3.3
1968-69	36967	7.1	15958	30.0	5716	6.8	12052	6.2	18731	3.7
1969-70	37680	12.0	16626	36.7	5862	6.7	12493	10.2	18605	3.1
1970-71	37592	14.9	18241	35.5	5852	7.9	12913	15.9	17374	4.6
1971-72	37758	19.6	19139	41.1	5668	8.7	11773	15.9	16777	4.1
1972-73	36688	22.3	19463	52.7	5838	8.7	11817	21.2	15513	5.6
1973-74	38286	25.4	18583	58.7	6015	13.0	13934	23.6	16716	6.9
1974-75	37889	28.4	18010	62.3	5863	11.2	11285	22.4	16189	8.1
1975-76	39475	31.5	20454	65.8	6031	18.8	11571	25.0	16092	12.2
1976-77	38511	34.6	20922	69.4	6000	17.7	10751	21.1	15772	15.5
1977-78**	40002	39.0	21203	73.3	5700	20.5	11035	23.8	16273	18.7

*Table kindly supplied by T.S. Walker

**Anticipated

fertilizers, containing nitrogen, phosphorus, and sometimes other nutrients, when used should be properly tailored to the needs of crop and soil. Farmyard manure, green manures or legumes in rotation are all valuable contributors of nutrients that can reduce to some extent the use of commercial fertilizers.

Although the results would suggest that fertilizer use alone is a satisfactory lead practice, there are too many examples where fertilizers added to local varieties did not provide significant improvements or did not cover the additional cost involved. Although far too few experiments have been carried out long enough to obtain useful probabilities over time, the negative results are sufficient to feed farmers' fears and deter Government agencies from recommending the application of fertilizers to local cultivars, particularly in dryland agriculture. Because of this lack of interest or enthusiasm, the distribution system for supplying fertilizers in a timely manner to the villages is seldom adequate and further hinders their adoption. Inappropriate recommendations of balanced fertilizers do not help.

Although use of improved seeds or the addition of fertilizers to local varieties provide added benefits in most years, the additional yield of 300 to 400 kg/ha. is not sufficient to lead to change. A combination of improved seeds and fertilizer, however, yields an additional 1,000 to 1,500 kg/ha. or more, gives positive and beneficial yields consistently and provides the spark that is needed. The added benefits, often exceeding Rs. 2,000 per ha, can materially improve the farmers' income. The greater yields can significantly increase the production of food grains in the country.

Farmers are already aware of the value of combining improved seeds and fertilizers in the rainfed areas. Where adapted fertilizer-responsive varieties or hybrids are grown, they are usually fertilized.* There are 20 rainfed districts in the country in which sorghum is an important rainy season crop. In 16 districts farmers fertilize more than 75% of the improved rainfed sorghum cultivars they grow, in 7 they fertilize it all. There are 7 districts in which pearl millet is an important rainfed and rainy season crop. Farmers fertilize more than 75% of their improved, rainfed pearl millet cultivars in all but one of the districts.

If these farmers have already adopted the combined use of improved seeds and fertilizers to their benefit, then many more could and should. But there are some deterrents. Although the added benefits are substantial, the added cost ranging from about Rs 400-1,000 per hectare can be a problem for the small or marginal farmer who lacks access to institutional credit. The lack of well adapted fertilizer-responsive cultivars, for example, for post-rainy season sorghum, obviously prevents the use of the combination. Inadequate fertilizer distribution, inadequate extension and inadequate infrastructure in general are deterrents to the adoption of improved seeds plus fertilizers as they are to other improvements in agriculture.

The lead combination of improved seeds and fertilizers is a satisfactory and relatively inexpensive beginning strategy throughout the rainfed areas, but it will give only limited and erratic results if it is not combined with other improved practices. The rest of the package is necessary to take account of the basic climatological and soil characteristics in different areas and districts to assure stability of yields, ameliorate some of the effects of drought and increase food production per unit of land and capital.

Improved Soil Management

Effective soil management practices in the rainfed areas produce a suitable seedbed, ensure the proper placement of seed and fertilizers, control weeds, conserve soil moisture and minimise runoff and erosion.

Dry season primary tillage is now a common practice in many rainfed areas. The soils are ploughed or harrowed in March on early April, after any post-rainy season crop is harvested. Because there is still some moisture in the soil, the power required for tillage is less than it would be later in the season and draft animals are well-fed and strong. Some weeds will grow but these can be removed in the final preparation of the seedbed, which is done nearer to the onset of the rains. Premonsoon showers, which are nearly certain climatic events in most rainfed districts, will soften the soil for final land preparation.

Crust formation on the surface is a problem with many sandy-textured soils. The power required to break the crust is low but the crust reforms after rains, impedes seedling emergence and increases runoff and erosion. Incorporating organic matter into the soil helps to decrease the strength of the crust — probably by increasing soil moisture near the surface — but no satisfactory technology yet exists for dealing permanently with this problem.

Time of planting is important for both rainy and post-rainy season crops. Planting as early as the rains will permit is now firmly recommended. It makes best use of available water, avoids certain pest and disease problems and ensures good yields in most years. For soils that have low capacities to store moisture, very early planting may not be the wisest course because of the erratic early season rains. Planting two weeks after the onset of the rains gives generally better and safer yields for these soils. Probabilities based on climatological evidence can now be used to predict optimum planting dates for various crops on different soils.

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*D. Jha, S.K. Raheja, R. Sarin and P.C Mehotra; Fertilzer use in semi-arid trcpical India : The case of high-yielding varieties of sorghum and pearl millet. ICRISAT Economics Programme Progress Report, 2 June1981.

Accurate placement of seed and fertilisers ensures high seedling densities, vigorous early growth and resistance to drought, but is seldom attained in traditional agriculture. Practicable and economic new technologies to ensure accurate placement in rainfed conditions with bullock-drawn equipment have yet to be developed. Great gains can be made here from increased research.

Weed Control

Timely weed control measures are important to conserve moisture under fallow and to avoid competition to the standing crop. Poor weed control can reduce yields by 50% or more. The use of herbicides is uneconomic or uncommon except on some cash crops, and weeding is done manually or by using animal-drawn implements. Weeding is a major source of employment for landless labour.

In the rainfed areas of India there is no normal rainfall year. Erratic rainfall falling on soils with poor infiltration characteristics causes many difficulties and problems. The use of straw mulches or deep ploughing are proven techniques for improving infiltration and available soil water, but are not practicable in present-day Indian conditions where nearly all crop residues are removed from the land and bullock-power is generally inadequate to allow deep tillage. The solution is to use the small watershed as the basic farming unit, making use of its natural topography and drainage patterns.

Contour farming or the use of ridges or broadbeds and furrows within the watershed greatly improve rainfall management and water availability to crops where the land has gentle slopes. Bench terracing is needed where slopes are greater.

Land treatment can be carried out by the farmer himself in gently sloping land at very little cost. Land smoothing can be accomplished with traditional equipment, and bullock-drawn equipment and implements are now available to make the graded ridges or beds and furrows. Contour bunding appears to be no longer recommended. Bench terracing and the construction of conservation structures and community drains will all require active Government cooperation. Many of the benefits from these measures accrue to the community as a whole, and those that are captured by the farmer himself are usually of a long-term nature. It is appropriate in these circumstances for Government to provide substantial financial support and incentives for these measures.

Dry seeding before the onset of the rains is a means to increase water-use efficiency on soils with good water-holding capacities. It is not a difficult practice for farmers to understand and adopt, but it has not been proved successful with all crops. The utilisation of deep rooted plants that harvest the water in the lower horizons of the soil increase the efficiency of water use.

Proper Choice

The best crops and cultivars to use in any particular district depend upon climate, soils and agricultural and socio-economic traditions. Considerable efforts by the All India Coordinated Research Project for Dryland Agriculture have now determined the most appropriate crops for most of the rainfed regions of India.

Intercropping and sequential cropping are common enough practices now in rainfed agriculture. They increase the efficiency in use of natural and capital resources, and return two incomes a year from the farm instead of one.

Intercropping has traditionally been the small farmer's means of reducing risk and extending the cropping season. Research has confirmed the wisdom of the farmer's practice — even though not all farmers' combinations are scientifically sound — and intercropping combined with improved seeds, fertilizers and improved soil management is a highly profitable and stable means of increasing crop yields and cropping intensity in rainfed agriculture. Many of the rainfed black soils traditionally cropped only in the post-rainy season can produce two crops a year without difficulty. Intercropping is one way to bring about this major increase in production.

Double Cropping

Double cropping, that is the growing of two sole crops in sequence, is an alternative to intercropping favoured by the larger farmer or by farmers with some access to irrigation. Input-responsive cultivars are generally earlier maturing than local varieties and increase the possibilities for double cropping.

On Alfisols and sandy alluvial soils, which do not store enough moisture to allow production of two crops a year, multiple cropping can at least allow the season to be extended. Relay cropping may be possible where very short season crops such as early millets, mung bean or cowpea are grown. Intercropping with long season hardy crops such as castor or pigeonpea ensures the use of residual soil moisture and provides some additional yield.

Dry periods within the normal rainy season are typical of many monsoonal climates even when normal or above normal seasonal rainfall occurs. The result is usually a reduction in crop yield especially on soils which have relatively low water-holding capacities. Having water available for supplemental irrigation is an important means of reducing risk and improving production in rainfed agriculture.

Many of the farmers in rainfed areas have access to water from wells, streams and tanks. One survey has estimated that 50% of the farmers have some source of minor irrigation and that with the water available they can irrigate about 4% of their land. The amount seems small, but it probably can be used more efficiently for life-saving irrigation on fertilized, high yielding upland crops than on small areas of rice. In a much-quoted example from ICRISAT one 5 cm irrigation strategically applied during a dry spell on a red Alfisol nearly doubled the yield of sorghum and maize. At product prices prevailing at the time of harvest, gross values were increased by Rs 3,120 per hectare for maize and Rs 2,780 for sorghum. Our Chairman, Sir John Crawford, in the fourth Coromandel Lecture estimated that water will add about 500 kg/ha to the yield of grain crops.

During the post-rainy season supplemental irrigation can substantially boost crop yields because residual soil moisture is seldom sufficient to prevent drought stress at important physiological stages of growth. The appropriate time for this irrigation must be chosen with care to make best use of the water applied. For chickpea, a typical post-rainy season crop, irrigation before sowing is highly beneficial in ensuring good stand density and a profitable crop. For grain sorghum, the most important times for supplemental water are panicle emergence and flowering.

Water Harvesting

Significant opportunities exist for water harvesting in the rainfed areas. Runoff from heavy rains occur in all but the driest years providing opportunities for water harvesting. So far, successful, profitable examples are few and specific to location. A more concerted research effort is required before water harvesting in rainfed areas can be considered more than a promise.

At ICRISAT over the last 5 years data have been obtained on the benefits and costs of step-wise adoption of amproved technology on a deep Vertisol, typical of soils that occur in the cenre of the rainfed region, and an Alfisol, typical of soils that occur in the south. The rainfall at ICRISAT — about 800 mm annually — is in the middle of the range for the rainfed areas. The examples, therefore, may have relevance in a fairly wide area, but

TABLE III

Average gross returns, inputs and gross profits from improved technology for the period 1976-1979 on a deep black soil [Vertisol] at ICRISAT.

Treatment No.	Description of treatment				Average		
	Seed	Fertilizer	Management	Irrigation	Gross returns Rs/ha	Inputs Rs/ha	Gross profit Rs/ha
1.	Local	Local	Local	No	1716	1230	486
2.	Local	Local	Improved	No	2147	1116	1031
3.	Local	Improved	Local	No	2385	1576	809
4.	Local	Improved	Improved	No	3003	1491	1512
5.	Local	Improved	Improved	Yes	3374	1745	1629
6.	Improved	Local	Local	No	2610	1273	1337
7.	Improved	Local	Improved	No	3069	1225	1844
8.	Improved	Improved	Local	No	3891	1672	2219
9.	Improved	Improved	Improved	No	4802	1557	3245
10.	Improved	Improved	Improved	Yes	5623	1811	3812

TABLE IV

Average gross returns, inputs and gross profits from improved technology for the period 1976-1979 on a red soil [Alfisol] at ICRISAT.

Treatment No.	Description of treatment				Average		
	Seed	Fertilizer	Management	Irrigation	Gross returns Rs/ha	Inputs Rs/ha	Gross profit Rs/ha
1.	Local	Local	Local	No	1403	979	424
2.	Local	Local	Improved	No	1919	968	951
3.	Local	Improved	Local	No	1872	1176	696
4.	Local	Improved	Improved	No	2853	1149	1704
5.	Local	Improved	Improved	Yes	2977	1371	1606
6.	Improved	Local	Local	No	1887	1024	863
7.	Improved	Local	Improved	No	2277	1011	1266
8.	Improved	Improved	Local	No	2295	1206	1089
9.	Improved	Improved	Improved	No	3823	1198	2625
10.	Improved	Improved	Improved	Yes	3676	1395	2281

evidence suggests that they will not apply to those black soil areas where, because of paucity of total rainfall or shallowness of soil, no more than one crop per year is feasible.

The data are given in Tables III and IV expressed in rupees per hectare instead of yields, because various crop combinations were tried over the period of the experiments. The results are averages for five separate experiments over a 4-year period.

On the Vertisol, additional gross returns of Rs 894 were obtained from the use of improved seeds alone (Table III). The average additional cost of the seeds was only Rs 43 per hectare giving a benefit to additional cost ratio of 20.8. Fertilizers alone, without improved seeds gave an added value of Rs 669 for an extra cost of Rs 346. The benefit to cost ratio of 1.9 would not be sufficient by itself to induce farmers to accept fertilizers. Furthermore, in some years the returns to fertilizers alone were not sufficient to cover the costs involved.

The combination of improved seeds and fertilizers resulted in a very substantial increase in gross returns of Rs 2,175 per hectare more than double the gross profit obtained using traditional practices. The cost of fertilizer and seed was Rs 440 giving a benefit to cost ratio of 4.9. The profit from the combination of improved seed and fertilizers was more than the cost in all five experiments.

Combining improved seeds and fertilizers with improved management, in this case the use of raised beds and furrows, more careful placement of seed and fertilizer and more intensive weeding, that is, a full package of improved practices, increased gross returns by Rs 3,086. Average added costs were Rs 327 for a benefit cost ratio of 9.4. The use of supplementary water increased profits by an additional Rs 570 equivalent to about 5 quintals per hectare of increased yield, confirming the figure given earlier by Sir John.

In the similar set of experiments conducted on the Alfisols, average gross returns rose from Rs1,403 per hectare under simulated traditional practices to Rs 3,834 using improved seed, fertilizer and management (Table IV). Average gross profits rose from Rs 424 to Rs 2,625. Improved seeds alone gave a benefit to cost ratio of 10.7, improved fertilizer gave 2.38 and improved seeds plus fertilizer 3.9. For the package of practices without supplementary irrigation the benefit to cost ratio was 11.0. For this soil irrigation did not increase the profits obtained.

(To be concluded)

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Sugar : The Problem of Plenty

S. Viswanathan writes from Madras

In sugar industry there is a classic action-reaction cycle which proceeds on predictable lines. The business cycle of boom and slump seems to follow an unfailing rhythm. The matter for surprise however is the refusal on the part of those in charge of policy to learn, and allow things to drift to disastrous consequences.

In line with the boom in agricultural production witnessed during 1975-76 to 1977-78 output of sugar jumped from around 43 lakh tonnes to a record 65 lakh tonnes in this period. It might be remembered that for a while in 1978 there was so much of sugar that free market price crashed to Rs 2.20 per kg. Understandably sugar mills, especially the inefficient ones, incurred losses and could not pay even the low prices to the suppliers of sugar cane; there was distress sale of sugarcane, leading to large scale switch-over from cultivation of cane to other crops. Of course this resulted in an inevitable drop in production, to just around 39 lakh tonnes, in 1979-80 a disastrous drop of 26 lakh tonnes in a space of just two years from the record 65 lakh tonnes.

Unprecedential Situation

The widespread shortages of sugar accompanied by a big hike in prices in the free market again revived interest in this crop and this was further aided by many State Governments in the sugar producing States fixing attractive minimum prices for cane. This has again brought about a sea-change in sugar production. In 1980-81 sugar production is estimated around 53 lakh tonnes. But the fuller effects of the incentives for the cane growers will be witnessed in 1981-82 when sugarcane production is expected to reach an unprecedented 180 million tonnes and sugar production, 70 lakh tonnes.

Excepting a vague announcement of the creation of a buffer stock and resumption of exports, the Union Government has not come out with a more reassuring plan for stabilising production at a level of 65 to 70 lakh tonnes of sugar. In a recent press conference, Mr N. Mahalingam, Chairman of Sakthi Sugars, expressed grave concern over the unrealistic fixation of statutory price for sugar cane for the 1981-82 season; at Rs 13 per quintal relating to a recovery of 8.5 per cent, the same as for the previous season. This was against the recommendation of over Rs 20 made by several State Governments, of Rs 17 suggested by the Indian Sugar Mills Association and lower even than the Rs 15.50 recommended by the Agricultural Prices Commission. In fact the farmers' associations in Tamil Nadu have advanced claims for fantastic minimum prices and they have based their logic on a fair return on investments and the higher cost of cultivation.

Tamil Nadu provides a good instance of a State Government not too alert in achieving a planned, sizable increase in sugar production over a time span, of a powerful lobby of agriculturists who seem to be more concerned with achieving temporary gains through confrontation, and industry content to maintain the status-quo. Excepting the addition of two sugar mills in the public sector and the marginal expansion in the capacity of the co-operatives and private sector units, there had been little effort to plan and achieve the type of massive additions one witnessed in Maharashtra. After all conditions of cultivation in Tamil Nadu in terms of irrigation facilities are comparable to those in Maharashtra though it might be pointed out that recovery is at much lower levels. But over the years new varieties of cane, suitable for early and late crushing have been evolved.

Farmers' Lobby

A few years ago Sakthi Sugars exploded the myth of seasons by continuous working round the year. But an inert leadership at the State level whose tactics reached scandalous proportions under Karunanidhi through brazen demands on sugar mills for huge under the table payments for lifting stocks that were accumulating with the mills, and a farmers' lobby, which grew over the years increasingly militant, cumulatively contributed to a great deal of stagnation. In the Sixties, peak production recorded by the industry in the State was in 1968-69 of 3.3 lakh tonnes; in the Seventies the best production was touched in 1978-79 of 4.92 lakh tonnes, which dropped to 3.67 lakh tonnes in the next year. Thus the growth has been just around 1.6 lakh tonnes over a span of 10 years. In contrast the production of sugar in Maharashtra shot up during 1968-69 to 1978-79 from 9.48 lakh tonnes to 21.05 lakh tonnes.

The obvious inference is the lack of a vibrant policy for sugar. Mr Mahalingam felt that with imaginative planning sugar production in the State can be expanded to 10 lakh tonnes without much difficulty. With planned irrigation Thanjavur district alone could support a good number of sugar factories.

The advantage enjoyed by the State in its ability to commence crushing early and also extend it to late in the season is unfortunately not fully utilised. Cane varieties like 671 have been evolved for early crushing and 7704 for late season. Of course there is a pronounced drop in recovery for crushing beyond April and, therefore, there is need for a different formula for cane pricing. Unfortunately the attempt on the part of the Centre to fix uniform cane price all over the country does not take into account the wide variation in the economics of cultivation in the different regions. As pointed out by Mr Mahalingam, farmers of North Arcot District in Tamil Nadu have advanced a claim for a better return for their investment and labour; assuming the cost of land at Rs 20,000 per acre they demand a return of 20 per cent, the interest charged by banks on free advances; they also demand supervisory charges of Rs 500 per acre per month; they want the price for cane so fixed as to cover these basic costs adequately.

The Central Government has not yet announced the price for levy sugar for the current year. Industry circles are scared that there may not be much difference in this, judging from the decision to keep the statutory minimum price for cane at the same level as for the last season. Industry is also bitter over the steep fall in ex-factory price of sugar. Mr Mahalingam recalled the statement of the Minister for Agriculture last year that this will range between Rs 625 and Rs 700.

Serious Apprehension

But presently the average ex-factory price hovers around Rs 450 per quintal. There is apprehension that next year the industry may not be able to realise more than Rs 400 per quintal, ex-factory on the sale of free sugar. There is also apprehension on industry circles that the Government was seriously contemplating a change in the ratio of levy and free sale sugar from the present 65:35 to 70:30. The plight was best illustrated by events in the gur market. Mr Mahalingam referred to the serious price crash of gur even at the beginning of the season to less than Rs 2 per kg with its disastrous consequence on cane growers. In the area around Sakthi Sugars, sugar cane is grown over 42,000 acres. The factory has registered 19,000 acres of this for regular supplies, of 7.5 lakh tonnes, to be crushed before April. But there is tremendous pressure from unregistered cane growers to sell their cane and they are not able to realise economic prices from gur. There is thus widespread distress.

It is a pity that we should fail even in managing plenty. Perhaps too long a number of years has been spent in managing scarcities that we are rather stupefied over the prospects of plenty.

Private Investments in Power !

THE OBSERVATION last week by the Union Minister of Energy, Mr A.B.A. Ghani Khan Chowdhury, in reply to a calling attention notice on power shortage in different parts of the country, that the Government was not averse to private investments in the power sector is something which has been repeated ad nauseam in the recent past. It is not a question of the Government being averse to such private investments. The crucial point involved is whether the power generated by the units set up through private initiative be available to the sponsors for their use. The primary purpose for setting up such units is to insulate the sponsoring industrial units against frequent power cuts.

The snag in Government's thinking on the issue is that the private investors will have to remain content only with generation of power : they will have no hand in distribution. The power supplies will have to be fed into the State grids. It cannot be disputed that the woes of private sector industries get compounded when power is diverted from them to agricultural purposes. If the private investors cannot have any claim even on supplies from the power units set up by them, it obviously is too much to expect that any private entrepreneur will be interested in putting up generation facilities individually or in cooperation with fellow industrialists.

The case of captive power units, of course, is different. The generation from such units is primarily meant for use by the undertakings setting them up. Captive units, indeed, can go some way in mitigating the rigours of power shortages. But obviously institutional finance will be required for this purpose. It is rather discomforting to note that the Government is dragging its feet even on this worthwhile endeavour. Nearly half a dozen proposals from business groups are still awaiting clearance, though they were submitted quite some time ago.

The Union Finance Ministry is stated to have expressed the view that the available resources are fully stretched and none of the major non-planned programmes can be funded. But, surely, augmentation of power supplies does not fall in this category. The funds for captive power units can be raised from the market only to a limited extent because of the industrial funding arrangements that have been followed for nearly two decades. There is, therefore, no escape from institutional finance for captive power units.

Inadequate Return

Another point that needs to be stressed in this regard is the inadequate return on investments in the power sector. Unless the Electricity Act is amended to facilitate a higher return, it will be difficult to service the resources mobilised from the market. Some business houses, of course, are exploring the possibilities of raising funds through suppliers' credits. But that too will require an amendment of the Electricity Act. The growing capital requirements for generation units as well call for a fresh look on the debt-equity ratio.

The anxiety to interest private investors in power generation emanates from the serious slippages that are taking place in the additions to installed capacity. A recent monitoring by the Central Electricity Authority has revealed that the target of adding 3,212 MWs to the installed capacity this year will prove elusive by a wide margin. The Ministry sources had earlier expected that nearly, 2,500 MWs would be the addition, though with some difficulty. The estimate of the CEA is said to be just around 2,000 MWs.

This unsatisfactory performance is attributed to various reasons. The more important among these are : (i) inadequate provision of funds, specially when project costs are going up; (ii) inordinate delays in land acquisition; (iii) inadequate site investigations; (iv) delays in finalisation of engineering plans; (v) delays in the placement of orders of auxiliary equipment or awarding of contract; (vi) lags in the supply of equipment by various suppliers; (vii) non-sequential supply of main plants and equipment which causes upsets to erection work; (viii) shortages of key construction materials; (ix) slow execution of civil works; and (x) unsatisfactory industrial relations.

Indifference to Infrastructure

R. J. Venkateswaran writes from Calcutta

THE GOVERNMENT of India claimed, in a press note issued on November 12 that the country's economic revival had gathered momentum in the current year on account of the substantial improvement that had taken place in various sectors of infrastructure. The Government said that production of coal, power, and steel had picked up considerably in April-September 1981 as compared to the similar period in the previous year, and that the performance of the railways and the ports had also shown encouraging results. But subsequent events have revealed that the Government has been finding it difficult to maintain the better performance achieved in the earlier months of the year. For example, we are now told that the total steel production in 1981-82 is not likely to exceed 5.4 million tonnes compared to the target of 6.3 million tonnes. Once again, complaints are being heard about the impediments to steel production because of the inadequate availability of coal, irregular movement of wagons, and the erratic supply of power.

The Steel Ministry is reported to have been worried about the latest developments and several inter-ministerial meetings have been held to tackle the problems. Mr Pranab Mukherjee met the chief executives of the public sector steel plants on December 1 and gave them "a pep talk", emphasising the need for full capacity utilisation in each plant. He advised them to raise production according to the market requirements in order to secure better financial results. But such exhortations will not produce the desired results in the absence of effective coordination among the different ministries and, what is no less important, between the latter and the State Governments.

It is indeed shocking to find that the capacity of the railways to deliver the goods is severely impaired not so much because of the financial and physical constraints but because of the inability of the State Governments to enfore law and order effectively. On the South-Eastern Railway, according to official statistics, there were 903 incidents of theft of electrical fittings, 849 cases of theft of mechanical fittings, and 2477 incidents of removal of engineering material including fishplates till October this year. In the same period, signal equipment was damaged on 351 occasions. Such incidents took place mainly in the sector through which raw materials are transported to the steel plants. The General Manager of Eastern Railway, Mr R.P. Singh, said in Calcutta on November 28, that railway property worth Rs 2 crores had been stolen in the current year.

In the power sector also, a great deal of uncertainty continues to persist about its availability especially in the eastern region. The failure of many State Governments to implement promptly the recommendations of the Rajadhyaksha Committee relating to the reorganisation of the Electricity Boards has prevented them from making better use of their installed capacity. As in the railways, in the power plants also thefts of parts and stores continue to affect their efficient working. The members of the Stores Organisation of the West Bengal State Electricity Board recently decided to launch a month-long agitation to protest against "corruption and mismanagement". The General Secretary of the Organisation, Mr R.M. Biswas, said in Calcutta on December 3 that a lone store keeper was in charge of electrical and other equipment valued at over Rs 1 crore.

Infrastructural deficiencies persist not only in respect of power, coal, and transport but also in other important areas. For example, the Posts and Telegraphs Department in Calcutta is severely handicapped in its work because of the shortage of mail motor vans. Of the 82 vans available at present, only 42 are put on the road daily, the rest being unfit for use.

Problems relating to the improvement of infrastructure therefore have to be tackled with greater seriousness and urgency both at the Central and State levels.

How Ashok Mitra Looks at the Loan

DR ASHOK Mitra said in Calcutta on November 30 that, according to the "inside information" of the Government of West Bengal, the Centre was having second thoughts on the IMF loan. He remarked that the Union Finance Minister, Mr Venkataraman's statement, that the third instalment of the loan might not be drawn if the balance of payments position improved, indicated that there was really no need for the Government of India to seek the loan under the extended fund facility. Dr Mitra claimed that it was "a major achievement" for the West Bengal Government that it had been able to stir up opposition to such an extent as to compel the Centre to assume a "defensive" attitude.

Dr Mitra, of course, can take credit for having initiated the campaign against New Delhi's move to obtain the IMF loan. It was he who first alerted public opinion about the causes and consequences of this decision. The meeting of the 23 leading economists, which he organised in Calcutta a few weeks ago, also recorded its protest against this proposal. But it is worth noting that there are other economists, no less eminent than those who had assembled in Calcutta, who hold a different view on this subject.

Dr Mitra has reiterated his fear that the Government of India will now modify its economic policies in such a way as to provide greater facilities and incentives to the private sector including foreign capital. But, instead of vehemently opposing this move, should not the Government of West Bengal adopt a positive approach? The State's economy has made little progress in industrial development in recent years, one reason for this stagnation being the licensing policies of the Government of India which are biased against the so-called large houses which are concentrated in West Bengal. If New Delhi is now going to liberalise some of its policies, the West Bengal Government should welcome this step and take advantage of it in order to create a congenial climate for investment. If the large houses of the State can be persuaded to invest here on a massive scale, it will help to give a tremendous boost to its economy and also create vast scope for employment.

Dr Mitra has said that the relaxation of import curbs will severely affect the industries, especially those producing capital goods. But surely New Delhi is not going to permit imports indiscriminately. It is obvious that liberalisation will be done on a selective basis so as to facilitate the larger imports of machinery and materials which will help industries to make better use of their installed capacity, increase production and generate more employment. In this respect also, the West Bengal Government should play a constructive role. It should tell New Delhi in which directions the import policy needs to be made liberal from the point of view of the development of West Bengal's economy.

Dr Mitra may be correct in saying that the balance of payments position is not as bad as it is made out by the Centre. Even if it is so, there can be no two opinions about the imperative need to strengthen it by all means in the coming months. West Bengal can contribute substantially in improving this situation provided the State Government adopts policies which would enable industries to earn and save foreign exchange. The Association of Indian Engineering Industry (Eastern Region) said in November this year that West Bengal was losing production worth about Rs 1000 crores per year on account of the power crisis. Improvement in power supply by itself can contribute a great deal to promote exports and reduce imports.

Dr Mitra should look at the loan not so much in his capacity as an economist but as the Finance Minister of a State whose economy is in urgent need of rapid development. He should examine in what ways he can effectively utilise the present situation to derive the maximum benefit for West Bengal's economy. It will indeed be unfortunate if the loan becomes another source of misunderstanding between the Centre and West Bengal. It is mainly for Dr Mitra to ensure that their relations do not get further strained on account of their differences on this issue.

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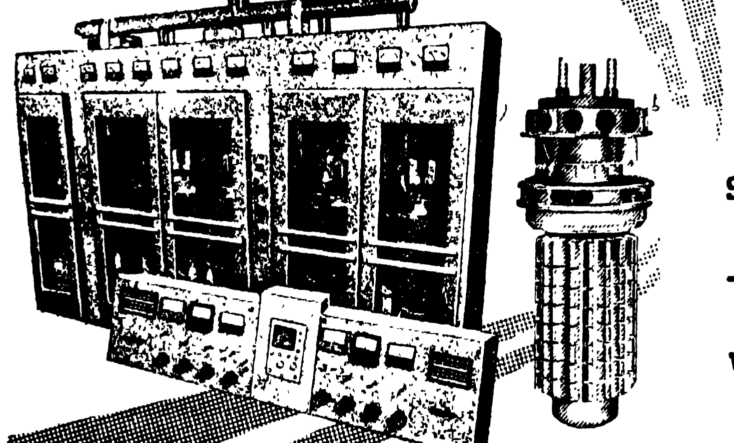

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India-Nepal Cooperation

What We Can Do for Each Other

Pranab Mukherjee

INDIA AND Nepal share a common cultural heritage and the strong ties of traditional friendship— strong and immutable as the Himalayas— which bind together the peoples of the two countries are cherished equally by both. And these ties of friendship, dating back to the hoary past, have been further buttressed in modern times by an awareness of the fact that economic co-operation between the two countries is in mutual interest. Indeed, one might even say that such co-operation is not only desirable but that is decreed by the compulsions of geography. It is in a sense inevitable, if the people on the two sides of the Indo-Nepal border wish to move forward on the road to economic development. The scope and potential for economic co-operation between the two countries is practically unlimited.

The expression "economic co-operation" has been used with various connotations in different fora but in the context of Indo-Nepal relations, it is particularly meaningful. Indeed, we are happily in a position to review the very considerable measures which have already been taken in the furtherance and implementation of this objective. It is a pleasant change for once to be able to refer to, not only to blue-prints for the future, but also to concrete examples of the economic co-operation which has already taken shape.

Indo-Nepal economic cooperation dates back to 1951; in other words it commenced within a few years of India's independence. It was in 1951 that the construction of the Tribhuvan Airport was taken up which reduced the travel time to Kathmandu to a matter of hours. In 1953 the construction of the Tribhuvan Rajpath was begun— the first road to link Nepal's capital with the outside world. Since then Indo-Nepal co-operation has covered practically every field of economic development, the main objectives being to build up an infrastructure for economic growth and to collaborate on projects which are of mutual benefit to both countries—as in the fields of water resources development, health-care, communications etc.

The Bharat-Nepal Maitri Sangh had organised a seminar on India-Nepal Economic Cooperation in New Delhi recently. A few of the papers read at the seminar are included in this supplement.

The seminar was inaugurated by Mr Pranab Mukherjee, Minister of Commerce, Steel and Mines.

More than 360 kms. of roads and highways— including 173 bridges— have been built. Among these are the Sonauli Pokhara Road, Mehendra Raj Marg and Kathmandu Trisuli Road. The 35-mile long Chatra canal with a distribution length of 195 miles, and minor irrigation projects covering 1.8 lakh acres of land have been executed. Drinking water supply schemes have been implemented in Kathmandu and 23 other towns. The 21 MW capacity Trisuli Hydel Project, the 1,000 KW micro hydel station at Pokhara, and the transmission line linking Biratnagar and Rajbiraj with the Kodi Power House in Bihar are examples of Indo-Nepal co-operation in the power sector.

For the development of telecommunication, radio, telephone and telegram facilities, links were provided between Kathmandu on the one hand and Delhi, Calcutta and Raxaul on the other. Manual exchanges were installed at Jhapa and Janakpur. A direct composite link was provided between Bombay and Kathmandu for tele-communication facilities for countries beyond India.

Apart from these projects Indo-Nepal co-operation has extended to other areas such as forestry, surveys and the development of technical manpower resources. In forestry, working plans have been made by Indian experts for three forest zones and a forest research institute has been set up at Hetauda. As regards surveys, Indian experts have assisted in carrying surveys and in the preparation of typographical map-sheets. We have also co-operated with Nepal in the setting up of industrial estates at Dharan, Patan and Nepalganj.

So much for schemes already executed. There are numerous on-going projects also, such as the 251 km. long Central sector of the Mahendra Rajmarg scheduled to be completed by 1983. The Devighat Hydro-electric Project—expected to be completed in 1984— will have an installed capacity of 14.1 MW. Other current projects are the Kosi area roads, the Goitre Control Programme through supply of iodized salt, construction of a sports complex at Pokhra, expansion of Patan Industrial Estate (Phase IV), Chatra Canal Residual Works, Coaxial cable link between Birganj and Raxual, Daulatghat-Dhankuta Road, etc.

Economic co-operation can be interpreted in a strictly narrow sense, as well

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as in a broader sense where all environmental factors affecting production are also taken into consideration. Deforestation, landslides, soil impoverishment and floods are forms of economic devastation which can be controlled through human efforts in the shape of afforestation, contour bunding, river-taming, hydel projects etc. There is infinite scope for Indo-Nepal co-operation in this area. A beginning has already been made and several joint river projects are under consideration—such as Pancheshwar (which is still at the investigation stage) and the Karnali Project which will be bigger than any of the other projects.

While on this subject may I add that I do not think that the importance of the joint exploitation of the water resources shared by India and Nepal can ever be over-emphasised. The full development of these resources—the harnessing of these waters for productive purposes—is clearly in the interests of both countries. It would undoubtedly greatly accelerate the process of industrialisation, both in Nepal and India and, what is more, it would inject into their trade a new, substantial and recurring item of export from Nepal to India—hydel power. Both Nepal and India have been searching for means of bringing about a better balance in Indo-Nepal trade. By exporting hydel power this objective could be achieved on a long-term basis.

Due to Nepal's small industrial base not much headway has been made with respect to industrial co-operation, although great potential exists in this sphere also. Nepal is rich in forest resources, limestone and iron ore. If these resources are developed, paper-mills and plywood factories can be constructed. There are also possibilities of developing cotton textiles and jute manufacturing industries. Now that some progress has been made with regard to the creation of an infrastructure by way of road-building and power projects, there is scope for undertaking feasibility studies for different industries. Joint ventures between India and Nepal can cater for markets in both the countries.

The Prime Minister

Kathmandu
Nepal

Dear Mr. Agarwala,

I am glad to learn that EASTERN ECONOMIST, India's leading economic weekly, is bringing out a special supplement on 'Indo-Nepal Economic Cooperation'. I believe the publication will be helpful to those who keep interest on matters concerning relationship between our two friendly countries; specially in the field of economic cooperation.

I congratulate the weekly journal for the initiative in bringing out the supplement.

Sincerely,
Sd/- Surya Bhadur Thapa

Mr. R.P. Agarwala
Chief Executive
Eastern Economist

India has also been conscious of the fact that it would greatly facilitate the process of Nepal's industrialisation if Nepalese goods have access to Indian markets but that access on similar terms to Nepalese markets for Indian goods could inhibit the growth of Nepalese industries. India has, therefore, agreed to grant on non-reciprocal terms specially favourable treatment to imports into India of industrial products manufactured in Nepal. At present we provide access to our markets free of basic customs duty and quantitative restrictions, generally, for all manufactured articles which contain not less than 80 per cent of Nepalese materials or Nepalese and Indian materials.

In matters of trade also there has been considerable co-operation between the two countries. Indeed we have been making available to Nepal a number of items of which India is itself a net importer. In some cases, Nepal's requirements are imported by us together with our own requirements and these commodities are made available to Nepal on a replacement cost basis. Nepal does not have to shop for its small requirements of various commodities abroad—not always an easy task—and we are able to supply them to Nepal.

India and Nepal have also been co-operating with each other in international fora for the establishment of a New International Economic Order. They face the same problems in their dealings with the developed world and therefore in the matter of "North-South" dialogues they naturally share common perceptions.

It is perhaps not so well-known as yet that India now possesses an enormous reservoir of technical expertise and in fact it has the third largest force of technical manpower in the world. What is more, India possesses technology which is frequently appropriate technology. Quite often our technology is better suited to the needs of other developing countries even though it is not the latest technology. India is more than willing to make available its technical manpower and expertise to Nepal and I hope that this too would lead to greater economic co-operation between the two countries.

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Trade Problems with Nepal

Navin Chandra Joshi

RECENTLY through a notification the Nepalese Government ended the preferential treatment accorded to imports of certain commodities from India. As a result, Nepal has reduced the general and most favoured nation rates of import duty on some items from third countries, thereby bringing them at par with the rates of duty applicable to imports of these items from India. While this act has caused a surprise, it is also in violation of the terms and spirit of the Indo-Nepalese treaties of trade and transit which enjoin upon both the countries preferential treatment to the imports of each other's goods of certain categories as against the third countries.

The Royal Economic Commission of Nepal, headed by Dr Y.P. Pant, and set up in June, 1979, has now recommended wide-ranging proposals for revamping policies in regard to industry, food distribution, foreign trade, exchange rates, public sector units and the tax structure. The Commission has pointed out that Nepal's foreign trade deficit increased from Rs 920 million in 1975 to Rs 2,370 million in 1980 mainly because of the increase in the trade deficits with India. It has alerted the Government that in the coming years Nepal's net balance of payments problem is likely to aggravate. The Commission has suggested steps to promote exports and set up import-substitution units. Perhaps the decision to revoke preferential treatment to Indian goods is a sequel to the Royal Economic Commission's recommendation for revamping foreign trade with India as also for improving the terms of trade.

It is true that till 1960 Nepal's trade with India was of the order of 92 per cent and it has now come down to 81 per cent although the volume has gone up by more than 400 per cent, touching the Rs 2,600 million mark. Obviously, the main worry for Nepal today is the serious deficit with India. In the total turnover of Rs 2,600 million the trade deficit is estimated at around Rs 2,300 million which is indeed not a comfortable situation for both the countries. It shows that even after about two decades of the process of diversification of trade, Nepal has remained a market dominated by Indian good. Nepal's total value of exports to foreign countries as percentage of her GNP is roughly 4.7 per cent which is much too low.

For Nepal elimination of the trade deficit and creation of trade surplus in order to meet the existing unfavourable balance of payments, remains an unfulfilled task. However, it is not beyond the range of possibilities in the coming years if Nepal concentrates on exporting items like hydro-electricity, wood, wheat, rice, dairy products, oilseeds, etc., in abundance to India. For doing so, the country has to improve productivity, both quantitatively and qualitatively, with emphasis on lower cost of production.

Cordial Relationship

The existing five-year Indo-Nepal Treaty of Trade, which came into force from March 25, 1976 is significant for bringing about an environment of cordial relationship in trade matters between the two countries. Article II of the treaty states that the two countries shall endeavour to grant maximum facilities and to undertake all necessary measures for the free and unhampered flow of goods needed by one country from the other, to and from their respective territories. Article III says that both countries shall accord unconditionally to each other treatment no less favourable than that accorded to any third country with respect to (a) customs duties and charges of any kind imposed on or in connection with importation and exportation, and (b) import regulations, including quantitative restrictions. On a reciprocal basis, India and Nepal have agreed to exempt from basic customs duty as well as from quantitative restrictions the import of certain primary products from each other.

Favourable Treatment

It is important to know that under this treaty India has agreed to promote the industrial development of Nepal through the grant on the basis of non-reciprocity of specially favourable treatment to imports into India of industrial products manufactured in Nepal in respect of customs duty and quantitative restrictions normally applicable to them. It is in this way that India has given the most-favoured-nation treatment to industrial goods of Nepal. Under Article VI of the treaty, Nepal has to exempt wholly or partially, imports from India from customs duty and quantitative restrictions to the maximum extent compatible with their development needs and protection of their industries. In order to compensate Nepal for loss of customs revenue on import of goods from India, paragraph III of the protocol to the treaty mentions that the Government of India will allow to His Majesty's Government of Nepal payment of the excise and other duties collected by the Government of India on goods produced in India and exported to Nepal provided that :

(i) such payment shall not exceed the import duties and the like charges levied by His Majesty's Government of Nepal on similar goods imported from any other country, and.

(ii) His Majesty's Government of Nepal shall not collect from the importer of the said Indian goods

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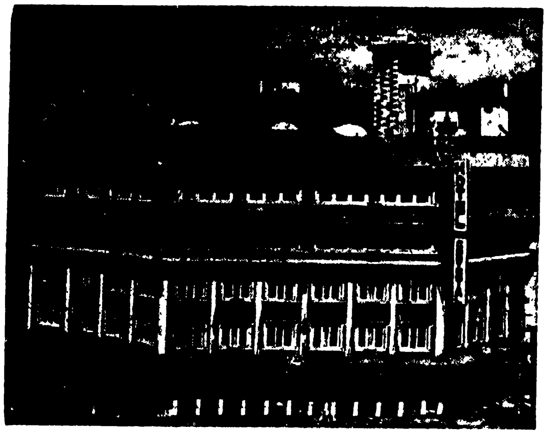

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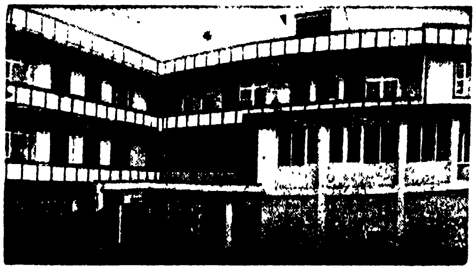

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> so much of the import duty and the like charges as is equal to the payment allowed by the Government of India.

Obviously, paragraph (ii) of this proviso has the intention of making Indian goods in Nepal competitive so that their price is not increased through levy of duties. But the present notification of Nepal Government is not helpful for Indian goods in so far as they will not remain competitive any longer. This is all the more a matter of concern when under paragraph (i) of this proviso, the Government is obligated to compensate Nepal for the loss of revenue on account of duties and other charges as could be levied on similar goods of other countries and have not been levied on Indian goods in fulfilment of preferential treatment.

Aside from deliberately making Indian goods competitive in Nepal, the fact remains that the market prices themselves govern the demand and supply conditions of Indian goods in Nepal. Still, however, if Nepal subsidises Indian goods to the extent of reimbursement of excise duty and other charges by Indian Government to the Nepalese Government, Indian goods can be sold at fairly competitive prices in the market for the benefit of the people at large. It is a known fact that, by and large, the gap in the cost of production of Indian goods and those of advanced countries is so wide that it cannot be easily wiped off even with the amount of subsidy that may be given to the maximum limit of the reimbursed amount. This explains why Indian goods are at a disadvantage and cannot compete successfully with similar goods of other countries in Nepal.

For promoting Nepal's industrial development, clause 5 of the protocol to the treaty states that India will provide access to the Indian market free of basic customs duty and quantitative restrictions for all manufactured articles which contain not less than 80 per cent of Nepalese materials or Nepalese and Indian materials. Further, when such articles are manufactured in small units in Nepal, the additional duty on these articles will be equivalent to the rates of excise duty on these applicable under the Indian Customs and Central Excise Tariff to articles produced in similar units in India. It is significant to note that in case the cost of production of an article is higher in Nepal than the cost of production in a corresponding unit in India, a sum representing such difference in the cost of production, but not exceeding 25 per cent of the additional duty collected by the Government of India, will be paid to the Nepalese Government. In such cases, the manufactured articles should contain not less than 80 per cent of Nepalese and Indian materials, and Nepal

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Government should have given assistance to the same extent to the manufacturer (exporter).

In cases where the value of Nepalese and Indian materials and labour added in Nepal is at least 50 per cent of the ex-factory price, the Government of India will determine the articles on case by case basis for preferential treatment. Thus we see that both the countries are supposed to strive for mutual help and cooperation in their economic development through trade. Concluding, it may be said that imports and exports are generally the independent variables which together determine the trade balance. However, in real life, things are not that simple. For Nepal, import of goods is a dependent variable, it being equal to the sum of two other independent variables viz., exports and deficits. The real crux of Nepal's foreign trade problem is the extent of her continuing deficits with India. It has been estimated that even a five per cent increase in the GDP of Nepal through international trade will require nearly a 50 per cent increase in exports by Nepal. As such, domestic production at lower cost with an ever-increasing trade surplus alone seems to be the solution for catching up with burgeoning world trade. A policy like this is both crucial and critical for Nepal's self-sustained growth in future.

The Future of Indo-Nepalese Relations

Pashupati Giri

President of the Federation of Nepalese Chambers of Commerce and Industry

INDIA IS Nepal's major trade partner. There are strong transport and communication links between the Nepalese Tarai and India. There is free and unrestricted mobility of the citizens of both sector. Production of agricultural commodities including foodgrains in both countries is dictated by the same monsoon. Foodgrain prices in the Nepalese market are largely determined by similar prices in adjoining Indian markets because of the 500-mile open border. For two decades, we have adopted a policy of export promotion and trade diversification with a view to accelerating national overall development. Initiation of this policy was also based on the market situation in India. Nepalese jute and jute products as well as handicrafts which are the major exportable items of Nepal have limited demand in India and, therefore, it was considered necessary to find new marketing outlets for Nepalese products.

The trade diversification has been building up over the years both for export as well as imports. The last fifteen years have witnessed a dramatic change in the direction of trade. During the Third Plan (1965/66-1969/70), India absorbed 94.7 per cent of the total foreign trade of Nepal. In the Fourth Plan (1970/71-1974/75) this ratio gradually changed with India sharing 82.6 per cent of the total trade. By the end of the Fifth Plan (1975/76-1979/80), however, this ratio has undergone drastic change reducing India's share in overall foreign trade to 57.9 per cent. This decline of India's share in Nepal's total imports can also be attributed to export ceiling imposed by India to counter domestic shortages. The ceiling on some essential items, including cement and iron billets, have been below Nepal's import demand in recent year forcing Nepal to import from third countries.

Another reason for the decline is that rice was the most important Nepal's export item to India until 1976/77. Since then the export of rice to India has been on the decline because of a reduction in the exportable surplus in Nepal and the improved food situation in India. Exports to India of most other commodities including dried ginger and purified butter (ghee) also declined in the last few years.

Nepal's expanding international contacts, commitments and diplomatic representations abroad further compelled her to find ways and means of earning convertible foreign exchange to meet obligations.

Nepal is facing some major problems and constraints to develop her export import trade, one of which is transportation.

Transportation beyond its border is difficult for land-locked Nepal. Calcutta, the nearest seaport is 800 km away. The first difficulty lies in adequate and timely availability of railway wagons for transporting goods across Indian territory from points in Nepal/India border. It normally takes a month for the goods to arrive at Calcutta port by rail with transhipment at Barauni junction from meter gauge to broadgauge. At Barauni, consignments often face line restrictions and detention charges besides difficulties at Calcutta port.

The cost of fulfilling transit formalities, for the export of Nepalese goods passing through India, is also obvious. While a consignment is held up due to delays in obtaining railway wagons, it is further complicated by the need for receiving port clearance beforehand with regard to availability of storage space and traffic situation at the Calcutta docks. With the establishment of Nepal Transit and Warehousing Co Ltd and with provisions made by the Transit Treaty, problems of shortage have eased to some extent.

It also requires that each import consignment is to be declared on CTD form and examined as well as verified by Calcutta customs officers. Lately for such consignments the importers are required, depending on the nature of goods, to give bank guarantee or deposit in cash equal to an amount of 10, 15 and 25 per cent of market value of the consignment in India plus Indian customs duty as safeguard in the event of goods not reaching Nepal. This has added to the financial constraints of the Nepalese importers and, therefore, the cost of such formalities, providing guarantees, is very well imaginable which ultimately the consumers have to bear. I hope that the Government of India will take note of this keeping in view the relationship so happily existing between two peoples of Nepal and India. We, on our part, have strongly moved against this system and urged His Majesty's Government of Nepal to sort out this problem with the Government of India.

There are possibilities of using waterways at various points in India even after the goods are shipped by railways or trucks from different points on the Nepal/India border. Goods despatched by trucks can be transhipped to light vessels at Mukamaghat for onward transhipment to Hooghly. This should generate significant savings on transportation even in the short run. From a longer term point of view, there should be the possibility of using waterways all the way to and from the Nepalese territory. Feasibility studies should be carried out to this end.

Extension of Indian rail tracks by broadguage inside Nepalese territory at Jogbani and Raxual and possibly at Nautanawa and Nepalgunj as well is very much desirable keeping in view our long standing relationship and also boosting up mutual trade.

At present Nepal has trade agreements with 14 countries including India. In the context of growing trade turnover, Nepal desperately needs additional transit routes besides Radhikapur. Indian government owned Calcutta Inland Water Transportation Corporation which carries cargo from Calcutta to Bangladesh border along the Ganges river can be an alternative. This Corporation has its own shed at Calcutta port. In view of the cheap freight, a mutual agreement between two Governments for letting Nepalese cargo to use this route will not only reduce the transportation cost of Nepalese cargo, but will also provide a good business to this Corporation. What is necessary is an atmosphere of mutual understanding between the two neighbouring countries.

Because of the slow growth of exports against imports, Nepal has been facing a trade deficit which has been widening. The total trade deficit with India was Rs 93 crores in 1978/79. This figure reached more than Rs 129 crores in 1979-80. The recent trade treaty provides Nepal with free access to the Indian

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market for all manufactured articles containing at least 80 per cent Nepalese and/or Indian materials (value-added). It has necessitated a detailed study of processed industrial products in the line of elaborate format prescribed by India. But experience has shown that Nepal's ability to sell manufactured goods to India depends to a great extent on India's willingness to accept them. Thus much responsibility lies with India to facilitate Nepal's industrial expansion.

During the Fifth Plan, Nepal laid particular emphasis on the development of hydroelectric power, because of its almost 85,000 MW potential, equivalent to the combined installed hydroelectric capacity of Canada, United States and Mexico. Such an asset is of prime importance to Nepal for her own use as well as for export to India. Therefore India should come forward to provide other resources required to transfer water into an economic asset which is beneficial for both the countries.

There is yet another avenue for mutual cooperation between Nepal and India. Indian entrepreneurs have succeeded in the industrialisation process in their country. They have gained vast experience in the field of management and technology which can be equally beneficial to other countries like Nepal. Indian entrepreneurs have been managing industrial projects jointly with their counterparts of various countries. It has been estimated that more than 250 joint ventures have been successfully established in various parts of the world.

Taking into account the relationship happily existing between these two countries, Nepal can be another area for joint ventures. The basic socio-physical infrastructure is now available in the country. Moreover, the Government has announced its policy of facilitating foreign investment. Recently the Rastriya Panchayat (legislative organ of the country) has passed a bill specially designed for the promotion of foreign investment for industrial development of the country.

The business community in Nepal is also equally willing to work jointly with their foreign counterparts for the cause of industrialisation in their country. It may be recalled here that in the 1930s when modern industries were set up in the country for the first time, Nepalese entrepreneurs received the support from their Indian counterparts. The participation that time by the Indian entrepreneurs has proved beneficial. Now it is high time for the business community of both countries to work together for their mutual benefit.

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Window on the World

Oil : Retrospect and Prospect

THE WORLD oil market has been subject to great fluctuations during the past eight months. It moved from a perceived market surplus in the late summer of 1980 to significant regional imbalances between supply and demand in December 1980 and January 1981 and back to a percieved market surplus at the beginning of the second quarter of 1981. The causes and effects of these changes in the oil market and current estimates are discussed below.

Autumn 1980

Prior to the outbreak of the Iran-Iraq war, oil market analysts in industry and government circles alike were forecasting a continuing easing of market conditions in the final quarter of 1980 and into 1981. The estimated surplus was based on high levels of production in the face of declining demand and stocks at record levels. The substantial easing in oil market conditions was reflected in crude-oil spot-market quotations at or below official selling prices for all grades except Saudi Arabian production. There was great speculation at the time that Saudi Arabia would keep its production high in order to eliminate the big and quite unreasonable price differences between its own relatively low priced oil and that of other producers and to bring about agreement within OPEC on a proposed long-term strategy. There was also a great deal of speculation about an overall OPEC production cut of 10 per cent as of October 1980. It would have been impossible, however, to cut OPEC output by 10 per cent across the board without Saudi participation, and the Saudis were unlikely to participate until an agreement had been reached on a long-term pricing strategy. Hence, the future of OPEC cohesion, already weakened by numerous political quarrels among member states, would have been put to a severe test.

The cohesion test was put off by the outbreak of the Iran-Iraq war, which made earlier forecasts obsolete. The two belligerents who were producing more than five million barrels a day (mbd) in the summer of 1980 produced no more than about 20 per cent of their previous level during October and November of last year. With Saudi Arabia already close to peak producing capacity, there were serious questions as to whether the oil market could withstand a repeat of the 1979 experience. The same warning signs were evident: rising spot prices, premia on contract oil and general nervousness in the market: in the first week of hostilities, crude prices rose about $5 a barrel, from $31 to $36 for Arab Light and related qualities.

October 1980

In response to the new developments in the Middle East, the IEA Governing Board agreed that the situation was manageable and decided on the following measures to prevent pressures on the oil market.

*Private and public market participants were urged to refrain from any abnormal purchases on the spot market.

*Member countries were to see to it that in the 4th quarter there would be a group stock draw sufficient to balance supply and demand, taking into account whatever additional production was available to the group.

*Consultations should take place between governments of the IEA to ensure consistent and fair implementation of these measures, taking account of market structures in individual countries, and to adjust for imbalances which might occur in particular situations.

*Reinforcement of conservation and fuel substitution measures which were already contributing to lower demand for oil.

Winter 1980-1981

Initially, political and strategic experts were counting on a short war like the 1967 and 1973 wars between Israel and its Arab neighbours which would not seriously impair oil output and exports. But towards the end of October it became clear that the war was reaching a stalemate, and no early battlefield solution was expected. The combined production of both adversaries was reduced to about a fifth of pre-war output. Hence, with total OPEC output down by almost four mbd, a level more than double the most exaggerated estimates of the pre-war "surplus" the question was how long this shortfall would last and how the IEA countries would be able to cope with the supply shortfall without additional oil price increases.

Although there was little hard information on the extent of the damage to oil installations caused by the war, the IEA Secretariat assumed that some degree of supply disruption would continue well into 1981.

IEA oil-demand estimates for the non-Communist world for the winter of 1980-81 were 50.1 mbd for the final quarter of 1980 and 51.8 mbd for the first quarter of 1981. With oil supply estimated respectively at 46.7 and 46.5 mbd for these two winter quarters, net stock draw was projected at 3.4 mbd for the fourth quarter of 1980 and as much as 5.3 mbd for the first three months of 1981. This would have been substantially above normal seasonal stock draw which averaged about 2 mbd in the winter quarters of the previous five years. Hence, unless governments could convince the oil industry to draw on existing stocks instead of resorting to spot-market purchases to make up for losses, oil market analysts believed that higher prices would be difficult to avoid.

In addition to the overall tightness in the oil market, there were significant regional imbalances in the market due to the fact that a number of countries inside and outside of IEA were more seriously affected by the Iran/Iraq war than others. It was clear that action had to be taken to deal with the imbalances in order to prevent crude-short countries from making spot purchases, leading to higher oil prices.

At the Ministerial meeting of December 9, IEA Ministers reinforced and amplified the October measures laying particular stress on mechanisms for correcting imbalances, of which the Turkish supply situation was clearly the most serious.

However, by mid-January of this year, it became clear that the world demand/supply situation had eased substantially. Preliminary estimates indicate that overall OECD oil consumption in the final quarter of 1980 had fallen by almost one mbd from the October-November estimates, and new estimates for the first quarter of 1981 were about 1 5 mbd below the October-November estimates. The improvements in the market outlook were caused by a number of factors, the most important of which were:

* Lower than expected economic growth;

*The impact of price on demand;

*Somewhat larger supplies in the first three months of 1981 from Iran and Iraq than previously estimated despite the continuation of hostilities; and

*Government efforts to use stocks as an additional balancing factor (to reduce imbalances between countries and companies).

As a result the overall stock draw—while substantial -was lower than IEA's earlier estimates, about half as much. IEA estimates of oil demand for 1981 had to be further revised downward in the light of falling consumption in the first quarter of 1981. An important factor in oil demand for the rest of the year was whether the recession continued or there was an improvement in the performance of the OECD economies later in the year. IEA estimates of world oil consumption in 1981 of approximately 48 mbd are based on an overall GDP growth in the OECD of 1.5 per cent. The current oil demand estimates for 1981 are about two per cent below previous ones and four per cent below the estimates made in the fall of 1980.

As in the summer of 1979, prices on world oil markets are reflecting weaker demand. Once again, spot prices for all grades are below official prices (some by as much as $2-$3 a barrel) with the exception of Saudi Arabian oil. There are clear signs that price increases by producers in 1979-80 have overburdened the economies of both industrialised and developing countries, and a growing number of OPEC officials have acknowledged this fact.

With non-OPEC supply estimates at about 22 mbd (roughly the same as last year) demand for OPEC oil for all of 1981 is projected at between 25 and 26 mbd. The IEA Secretariat has assumed that some improvement would continue to take place throughout the year in the ability of Iran and Iraq to increase production. On the assumption that the war would not again result in major reduction or stoppage of oil exports from those two countries, the market was expected to be in balance in 1981, and those countries which had to draw substantially on stocks in the winter season of 1980-81 would be able to rebuild them.

Source : *OECD Observer*

Fibre-Optics Communication

The Chiba Electric Cable Factory of Furukawa Electric Co Ltd makes hundreds of tons of copper cable, but in one corner of the plant there are technicians in white laboratory uniforms experimenting with glass. Glass tubes are heated to more than 1,500 degrees centigrade and are stretched out like candy into fine strands of glass fibre. The glass fibre then goes to an automatic testing room where it is tested for quality.

This "glass factory" within an electric cable plant symbolises the coming of a new age of light as a means of communication. New communications systems using optical fibre can transmit far greater volume of information far more economically than conventional electric cables or radio waves. It is attracting great attention as a revolutionary new communications system that meets the needs of a new age of information.

The idea of using light as a means of communication was conceived of quite some time ago. However, workable systems were not developed because light cannot reach the prescribed destination in bad weather and can travel only along a straight course. These drawbacks were overcome by the development of an innovative means of transmitting light in a zigzag way through extremely thin glass fibres by means of reflection. The thin glass fibres are called optical fibres.

Delicate Medium

A single hair-thin optical fibre measuring 0.125 millimetre in diameter can trasmit as many signals as 10,000 telephone circuits or several hundred TV channels. Optical fibre is a highly transparent glass fibre made from natural mica glass to which a bit of germanium chloride is added to induce delicate changes in refraction. The minutest flaw makes the fibre completely useless. Its cross section must form a perfect circle to prevent diffused reflection.

Normal glass contains impurities of the order of one part in 10,000 or one in a million, but in a usable optical fibre the impurities must be reduced to less than one part in a billion. How to manufacture optical fibre is, understandably, a top industrial secret for each company engaged in its manufacture.

Fibre optics communication is uneffected by lightning or the presence of high-tension power lines and is highly reliable. Because optical fibre is much lighter than wire, it is much easier to install. Moreover, in the case of copper wire, repeaters must be installed at intervals of every two to three kilometres to amplify electric signals because of electrical resistance. However, in the case of optical fibre, signals can be transmitted over a distance of 10 to 15 kilometres without amplifiers. Therefore, the cost of constructing a circuit is much less than in the case of copper wire.

Technically speaking, light is a kind of short electromagnetic wave. Not only the development of optical fibre but also the invention of the laser in 1960 contributed greatly to research and development of fibre optics communication. The laser beam is an "artificial ray" which, unlike natural light, has a well-regulated wave length and can be controlled electrically. Having a high frequency, a laser beam can transmit a large volume of information converted into signals. The frequency of microwave which is used for communication at present is one billion hertz (cycles), whereas the frequency of a typical laser beam is 100 trillion hertz.

Laser Beam

In other words, a laser beam can transmit 100,000 times more information than a microwave. In the early days of the laser, people were apt to associate it with the "killer ray" of James Bond stories. However, the laser's most promising applications are for peaceful purposes. For some time after its discovery, man had no use for the laser because no suitable applications were devised. However, it was eventually found that the laser is ideally suited for optical communication, and eventually a laser semiconductor as tiny as the tip of a small finger was developed.

The marriage of high-quality optical fibre and the long-life laser semiconductor ushered in a revolution in fibre optics communications.

With the advent of the information age, the volume of data and information to be processed has increased and will continue to increase enormously, particularly with the full blooming of office automation, facsimiles, video telephones and the like. Millions of circuits will become necessary. If conventional copper cables are used, cables will have to be made thicker, and roads will have to be dug up every day to re-lay cables. Not only will the cost of construction rise enormously, but also copper resources may be depleted. Thus, the development of optical fibre made from silica, which is available as long as there is beach sand, was a great boon.

Fiber optics communication is used for many purposes. For instance, fiber optics communications systems are used to conduct remote-controlled surveys and to control functions at transformer stations surrounded by high-voltage electric cables. Subway systems and the Japanese National Railways are using fibre optics for in-house communications and public address systems at stations and other facilities because it is free from electromagnetic interference caused by nearby power lines.

Optical fibre is used in the wiring of electronic computers in factories, as well as in computer circuits connecting terminals in so-called data highways. Optical fibre made of insulating glass is used also in the networks of sensors installed throughout petrochemical complexes and gas plants to detect oil leakage or gas leakage, because optical fibre does not short circuit or cause explosions with sparks. Meteorological observatories and satellite TV stations on top of mountains are gradually adopting fibre optics communications systems in order to transmit signals because optical fiber is not affected by lightning.

New Systems

In order to promote the development of technology to make better use of fibre optics in industrial fields, manufacturers are concentrating on the development of various systems For instance, experiments are now underway to develop under-sea fish farms by transmitting light into the sea via grouped optical fibres dropped into the sea to breed planktons.

Another experiment uses optical fiber to illuminate underground shopping centers, underground garages and buildings where sunlight does not reach.

Optical fibre is used to develop fiber scopes for watching the insides of steel mill furnaces or the walls of atomic reactors and other places inaccessible to men, even from a distance of 100 metres. Optical fibre can withstand heat of more than 1500 degrees centigrade and has strong resistance to radiation.

Mitsubishi Corporation is enthusiastic about exporting new technologies concerning optical fibre. It hopes to export not only the raw material of optical fibre but also fibre optics communications systems.

At present, the cost of optical fibre compared with that of copper cable is extremely high. Laser semiconductors, which are essential to optical communications, are also expensive, costing about $500 each.

A member of MC's Research & Knowledge Team tells of his dream as follows: Many systems using light will be developed in the future, such as optical computers using optical circuits, optical motors, or a biological communication network to be established in the human body with optical fibre fed into blood vessels. Thus, he predicts the arrival of an "age of light" to replace the age of electricity.

Future of Swiss Watch Industry

UP to the end of the 19th century, a watch was made either in Britain or in France. The USA introduced industrial techniques into watchmaking, but was overtaken in this field by Switzerland. Over the last 65 years, the watch has seen enormous changes: it moved from the pocket to the wrist during the first World War, and in the Seventies it was revolutionised by developments in electronics. The little watchmaking nation of Switzerland paved the way for these dramatic developments whilst dominating the world market for over a century. And thus it was that the Swiss watch acquired its aura.

The Swiss watchmaking industry reached its zenith in 1945, when exports of timepieces—totalling 18 million units —made up 33.42 per cent of the overall value of Switzerland's exports. Today the myth has to be adjusted to the realities of the market: only one watch out of every ten sold throughout the world is Swiss-made, and yet all ten owe something to Switzerland, whether it be components or inspiration!

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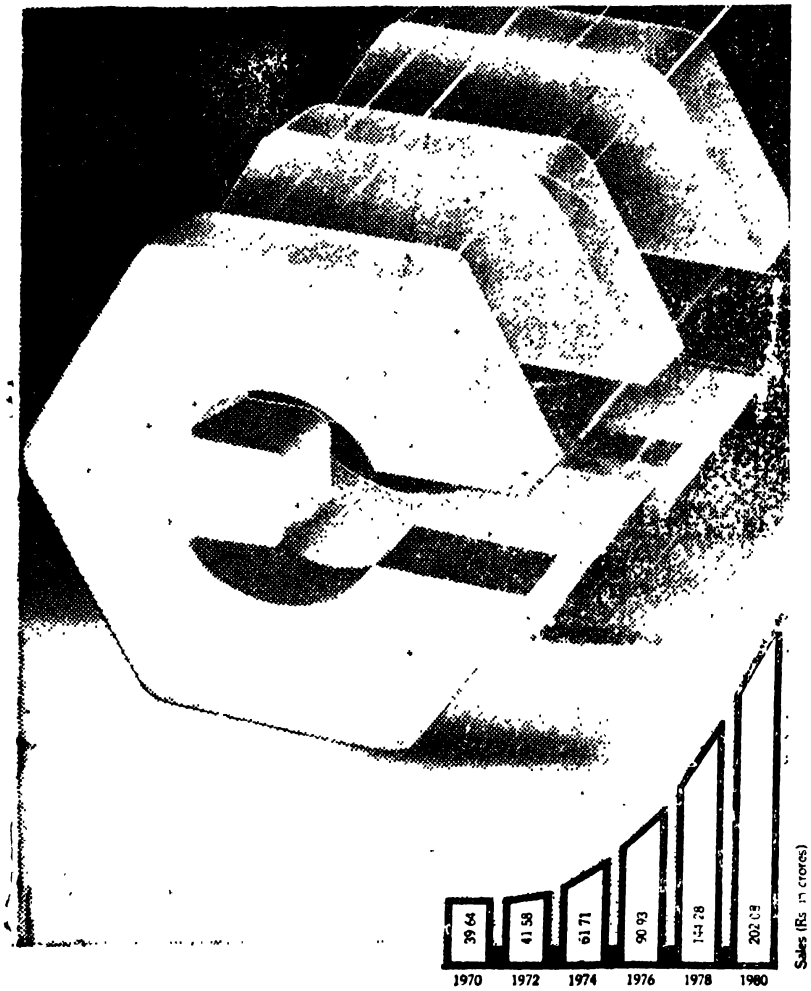

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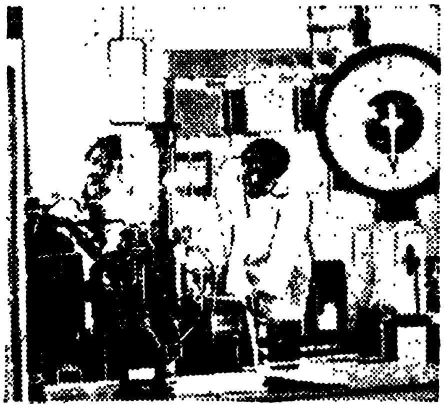

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much-publicised failures and the quiet successes—the remarkable vigour of an industry which continues to serve as an example to the world. Its achievements are considerable: the export of 97 per cent of its output; a turnover of Sfr 3.55 billion with a workforce of 45,000.

However, just over four thousand of that workforce account for more than 30 per cent of the turnover, or some 4 million units. It is the high-quality, luxury timepieces that give the Swiss watch its aura, and the mediocre, down-market products bask in the glory they create.

Thus the identity of the Swiss watch continues to be a cause for concern and ironically it is the very standard-bearers of the 'Swiss made' image that are least needy of this national stamp of quality, since their brand names alone are synonymous with quality. Another facet to the harsh reality is the fact that watches with a foreign movement can be passed off as 'Swiss made', a wretched practice that has already been resorted to. This brings us to the crucial question facing the Swiss watchmaking industry.

Record Exports

In 1960 the number of watches and movements exported topped the 40 million mark for the first time; 1974 was the record year for Switzerland's watch output. In 1960 Switzerland exported 30.3 million watches, and 10.8 million movements for 'casing' abroad. In addition, 1.7 million unassembled sets of mechanical parts—movement blanks and other components for assembly abroad—were exported. In 1974, when 59 million watches were produced, the finished product occupied a dominating position in relation to movements. But exports of movement blanks and components are becoming increasingly important. 1980 has seen a new and far-reaching development. Unassembled sets now take the largest share of exports, well ahead of movements and finished watches. Each set of components exported means less added value accruing to Switzerland. This alarms some people, who do not realize that such sales enable them to remain an important manufacturer of watch parts. The exported set of components are assembled by a workforce whose standard of living and wages do not stand comparison with those of Swiss workers. Production costs in Switzerland would be such as to price the home industry's products out of the market.

The high level of automation in the production of movement blanks, and the diversity of output have put the Swiss industry in a leading position without, however, stemming the drift of assembly work out of the country. And ceasing production of sets of components would not bring assembly work back to Switzerland—the vacuum would simply be filled by other producers.

Japan exports almost twice the number of watches as Switzerland. Moreover, Japanese movements and components are supplied primarily to makers of Japanese brands of watches sold on foreign markets, whilst the parts exported from Switzerland are sometimes used—to the detriment of the Swiss industry—in products of lower quality.

Automation demands great changes in the design and construction of watch movements—changes which are difficult to reconcile with the essential requirements of traditional Swiss quality. Increased automation or greater use of unassembled sets will inevitably lead to cuts in the workforce of the watchmaking industry, which is suffering not so much from a shortage of labour as a shortage of skilled watchmakers.

New Tremor

At the beginning of the seventies, the watchmakers were shaken by a new tremor—the electronics industry had come onto the scene. It, unlike the watchmaking industry, had no traditions to defend or to live up to, and no existing infrastructural burden to support. Its only concern was to plan out its near-term future, with research taking precedence over current output. This industrial and commercial outlook was fundamentally different from that of traditional watchmaking.

The new technology, and all it brought with it, had to be harnessed. Ruthless efforts had to be made to achieve a quick return and subsequently these funds had to be invested in an improved product. It was a cut-throat business in which superhuman exertions were required just to keep a hair's breadth of a lead, and any false step could prove fatal. In the United States more than 140 makers of electronic watches vanished just as quickly as they had appeared. Little by little some lasting elements began to emerge from the initial chaos. Nowadays Switzerland plays an important part in the supply of electronic components to Hong Kong—the hub of the international watchmaking industry. The colony's exports of watches and movements totalled 126.1 million in 1980, whilst in the same year it imported 26 million movement blanks and unassembled sets from Switzerland.

A Turning Point

A turning point has, however, also been reached in the field of electronic watches. An electronic watchmaking industry cannot stand up on its own. An enormous output must be achieved before the manufacture of electronic parts becomes profitable, and the production of a few dozen million watches will not guarantee the viability of the industry. In this respect, too, the Swiss have been quick to adapt by investing in the production of electronic parts for numerous other customers in addition to the watchmaking industry.

The future of watchmaking in Switzerland is dependent on the ability to adopt new attitudes. An objective assessment of the future would require a process of drawing curves, producing extrapolations, calculating averages and melting the whole into a kind of crystal ball.

But the future is not built on figures alone. Is there any way of quantifying such elements as determination, the will to succeed, and imagination? Can one evaluate ideas which are yet to be born? There are, however, ways of creating a climate in which these non-quantifiable forces can develop and flourish. And this is where banks and industry both have a part to play in the future of watchmaking

Source : Credit-Swisse Bulletin

Point of View

Export Prospects for Leather Industry

Dr V. P. Batra

There is enormous potential in foreign markets for India-made leather goods. But it requires an aggressive marketing drive to enter new markets and hold them against competition. There is need for sustained research and development. New technologies should be evolved which would not only improve quality and reduce costs but would also promote use of alternative materials in leather and footwear industries.

IN SPITE of the largest cattle population of any country, there is a growing shortage of leather in India. In respect of manpower, the leather industry provides employment to about one million families mostly in the low-income ranges. As such, the industry is one of the few areas with a large employment potential. The industry has large, medium, small and cottage sectors with 150 mechanised units, 600 medium units and over one lakh household units.

Cattle hides are generally obtained from fallen animals but goat and sheep skins are obtained from slaughted animals. It has been estimated that 30 million pieces of hides and 62 million pieces of skins are produced every year in India. According to the latest available statistics, the production of hides and skins would further increase to 32 million pieces and 67 million pieces respectively by 1985.

The small-scale leather units account for about 60 per cent of the total workforce employed in the industry and along with the medium sector contributes to 60-70 per cent of total production and 20 per cent of the country's exports of leather and leather goods.

After independence, the Government of India gradually banned the export of raw hides and skins in order to give protection to the local craftsmen. In 1973, the Government restricted the export of semi-processed and tanned leather. The export figures reveal that the demand for our leather goods is increasing year after year.

The important buyers include the United States, Soviet Union, the United Kingdom, France, a number of East European countries and Japan. Our exports consist of East India tanned leather, wet blue chrome leather, finished leather, garments, hand bags, wellets, footwear, goat skins, fur-skins, etc.

Exports of Leather and Leather Goods 1950-1981

(Rs in crores)

Year	Value
1950-51	35.00
1960-61	39.30
1970-71	72.00
1972-73	187.50
1973-74	184.20
1974-75	165.30
1975-76	227.73
1976-77	306.00
1977-78	257.93
1978-79	350.40
1979-80	425.38
1980-81*	325.00

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*Provisional.

It has been observed that export earnings from leather and leather manufactures have increased several times. A notable feature in recent years is that finished leather has emerged as the single largest commodity in the group of leather and leather manufactures replacing East India tanned hides and skins which had been the largest earner till 1975-76. The share of the value-added items of leather in total exports of leather and leather manufactures has also gone up substantially which is in line with the government's policy to encourage progressively exports of finished leather. Accordingly, the share of finished leather exports increased from 18 per cent in 1974-75 to 55 per cent in 1978-79. The trend in favour of finished leather was due to the increase in the installed capacity for finished leather. The percentage of semi-finished leather has declined from 80 per cent in 1972-73 to 30 per cent in 1978-79. It is hoped that the demand for leather garments and gloves will increase further in the near future. Finished leather will also emerge as the major export item, followed closely by leather goods and footwear.

Tamilnadu's Contribution

As indicated earlier, leather industry is passing through a period of change from the production of semi-finished leather to finished leather and leather products. In Tamilnadu with its preeminent position in this sector, there has been a remarkable growth in the last three years. In 1976-77, out of the 400 tanneries, only 70 were engaged in the production of finished leather. Of the 375 lakh pieces of semi-finished leather produced during the year, 112 lakh pieces were converted into finished leather. Subsequrntly, production of finished leather and leather products has risen to as much as 73 per cent.

The leather industry has switched from sea to air transport. The purpose of despatch by air is to enable supplies to reach destinations quickly. The custom export and import procedures concerned with the manufacture and export of leather and leather goods should reflect this.

India has 59 organised units with a capacity to produce about 42.1 million numbers of finished leather from hides and skins. Production, however, has been to the extent of only 60 per cent. In 1979, the total output of leather was about 26.4 million numbers. The 15 organised footwear units produced during the same year 135 million million pairs as against a combined capacity of 208 million pairs. In view of the growing gap between production and demand for leather goods, all efforts should be made to augment available supplies.

The Task Force on Leather and Leather Goods Industry, appointed by the Ministry of Commerce, has pointed out the low capacity utilisation and the non-availability of sophisticated components and chemicals at reasonable prices as the twin problems effecting the industry. It has been suggested that improvement in the quality of raw materials and increased availability of hides and skins will go a long-way in raising production. Import of modern machinery and requisite chemicals at reduced rates of import duty as suggested by the Task Force are important steps for the healthy growth of leather industry.

Research & Development

There is need for sustained research and development in the industry which has been a neglected area. New technologies may be evolved which should not only improve the quality and reduce costs but also examine the possibility of using alternative materials in the leather goods and footwear industries.

Our country has not been able to capture major world markets in leather because of the problems which it faces in respect of capital, failure to adopt to changing world patterns and insufficient availability of good quality leather. Another urgent and pressing need of the industry is the establishment of a specialised marketing organisation which will promote leather exports to the various markets across the globe.

It is heartening that India has been elected unanimously a member of the International Tanners' Council. India is the first Asian country to be admitted to the Council. Membership of the Council would enable Indian leather industry to be fully exposed to world trends and developments both in the technological and commercial fields and thus help it to update its production and marketing techniques.

The importers in advanced countries like West Germany and Italy are keen to shift the processing and manufacturing of the labour-intensive products to India. The trade delegations from these countries also explored the possibility of training technologists and workers from the Indian leather industry for producing goods that would cater for the fashions prevailing there.

Recently the Government decided to give a five per cent cash compensatory support on exports of sole leather, which has been affected seriously by the Iran-Iraq war. Moreover the export duty on semi-finished leather has been reduced from 25 per cent to 10 per cent in order to revive the exports of leather and leather products. Duty free import of wet blue leather for one more year has also been announced. The preshipment period for concessional credit has been extended from 90 days to 180 days.

It is a matter of satisfaction that exports of leather and leather goods which suffered 23 per cent shortfall during 1980-81 have already shown signs of picking up during recent months. The export target for 1981-82 has been fixed at Rs 425 crores with the following break up: semi-finished leather Rs 80 crores, finished leather Rs 250 crores, industrial leather and leather goods Rs 35 crores, and footwear and components Rs 60 crores.

There is an urgent need for quick delivery, market research and quality control for achieving a breakthrough in leather exports to world markets. Maintaining high quality is the only way to meet competition. Regular supply of good quality leather to the manufacturers should be ensured by importing the necessary machinery and spare parts for processing leather.

There is enormous potential in foreign markets for India-made leather goods. Exports of consumer products like leather garments and gloves cannot be stepped up unless an aggressive marketing drive is launched. India has no alternative but to match the sophistication standards of West European countries.

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Income and Employment of Agricultural Labourers in Punjab

R.S. Dhaliwal & S.S. Grewal

A study conducted in Punjab has concluded that there is an improvement in the bargaining power of labourers. There is a general tendency on the part of workers not to accept work from the some employer year after year. Bonded labour, in the sense it exists in some other parts of the country, is absent in Punjab. The authors are associated with the Punjab Agricultural University, Ludhiana. This article is based on the Ph.D. dissertation of Mr R.S. Dhaliwal.

THE NEW technology in agriculture in the State of Punjab has improved the economic lot of all classes of people, including that of agricultural labour. The available evidence shows that the new technology has dampened the fluctuations in the seasonal pattern of wages and also lengthened the period of hike in wage rates.[1] Some diversification in sources of income is also coming up. Agricultural labourers are rearing cattle and performing non-farm jobs to increase their income. Although the increase in wages of agricultural labourers and diversification of their occupational structure during recent years gives an idea about the betterment of economic lot of the labouring class, yet this does not depict the total picture. The sources of employment, its duration and magnitude and income from self and off-farm employment are matters that need to be probed. This article is an attempt in this direction and studies the local landless agricultural labour in Punjab State. Specifically, it aims at assessing the income of agricultural labour households from various sources at a point of time and working out the extent of employment of agricultural labour and seasonality in its employment pattern.

In this study, the Punjab State was divided into six agro-climatic zones, which differed not only in agro-climatic parameters but depicts varying levels of agricultural development. The sample was drawn from each of the six zones with probability proportional to the number of labour households in each zone. The ultimate sample comprised 198 households and the data related to the year 1977-78.

On the basis of employment, agricultural labourers were divisible into (1) attached or permanent labourers, and (2) casual labourers. The attached labourers were employed on basis of employment contracts—oral or written—which were generally of one year. The casual labourers were free to engage themselves in different types of wage employment on daily basis.

Attached labourers in Punjab are known by different local names like *Siri*, *Sanjhi* or *Nokar*, etc. The Siri, and Sanjhi type of labourers are employed on produce share basis which ranged from 1/6 to 1/13 of the final produce, whereas Nokar type are employed on fixed amount of money or grains decided at the time of the contract. The majority of attached labourers (88.46 per cent) belonged to the second category and were employed on money contracts.

The reasons for attachment were studied and it was found that 50 per cent of labourers became attached labourers due to debt obligation and 43.60 per cent due to security of employment. Only 6.40 per cent workers were found attached due to other obligations i.e. good relationships, group attachment, etc. It was further observed that 61.54 per cent of labourers worked for only one year with the same farmer whereas 32.05 per cent of labourers changed their employer after two years. There were only 6.41 per cent of labourers who worked for more than two years with the same farmer. It was a general phenomenon that labourers changed their employer every year, although, after sometime, they got employment with the same farmer. This was indicative of improvement in the bargaining power of the labourers over time as also of non-existence of bonded labour in the sense in which it exists in some other parts of the country.

Decreasing Trend

The trend in the attached employment was on the decrease. The percentage of attached households in Punjab decreased from 54.3 per cent in the First Agricultural Labour Enquiry (1950-51) to 46.3 per cent in Second Agricultural Labour Enquiry 1956-57. The present study found that attached labourers were only 16.18 per cent of the total labourers in Punjab.

Casual labourers were employed to meet the seasonal and regular demand and, at times, were also employed in the absence of permanent labourers who were not available due to illness or some other reasons. These workers constituted 83.82 per cent of the economically active male persons. They got employment in varions forms such as daily basis, monthly basis and work contract rate. On an average, a casual mate worker got employment for 250 days in a year, of which the share of agricultural employment was 234 days (93.6 per cent) and that of non-agricultural employment 16 days (4.6 per cent).

However, the magnitude of employment varied from region to region and from month to month. As is clear from Table I, the highest number of employment days were available in zone III (265) followed by zone IV (263) and zone V (258). The lowest days of employment were found in zone I (224).

On the other hand, the number of non-agricultural employment days was highest in zone I (26) followed by zone II (20) and lowest in zone V (8).

Of the six zones under study, Zone III was the most developed zone and zones I, II & VI were the least developed zones while the other zones had average level of agricultural development. Thus the magnitude of employment was in general higher in the developed zones although the zonal differences were not significant statistically.

TABLE I
Annual Employment Days per Male Agricultural Labourer in Punjab, 1977-78

Zones	Annual Employment Days		
	Agri-cultural	Non-Agri-cultural	Total
I	198	26	224
II	228	18	246
III	250	15	265
IV	253	10	263
V	250	8	258
VI	227	20	247
State	234	16	250

The employment available to agricultural labour was seasonal and depended upon the main crop of the region. It varied from month to month. The month-wise days of agricultural employment in different zones are given in Table II. It would be seen that peak months of employment were May to July and October to December. The lean months were those of February, March and September when employment was less than half the number of days in a month. On an average, 19.5 days of employment in a month were available to a maleadult agricultural labourer. In view of this seasonality, it was important that public works programmes in the State, as far as possible, should be timed to correspond with the period of main unemployment months of the year, i.e. February and March.

The extent of seasonal employment was more pronounced in agriculturally backward zones than in agriculturally developed zones. The co-efficient of variation was worked out for each zone. It would be seen (Table III) that coefficient of variation for agricultural employment was highest in zone I, the most backward zone and lowest in zone III which was a relatively better developed zone in the State.

TABLE II
Monthwise Agricultural Employment Days per Agricultural Labourer in Punjab (1977-78)

Months	Zones						
	I	II	III	IV	V	VI	Punjab
January	17	18	20	19	20	18	18.67
February	8	14	16	17	15	12	13.67
March	5	11	15	13	11	12	10.17
April	14	16	18	18	19	16	16.83
May	16	20	24	25	26	23	22.33
June	23	22	22	23	22	24	22.67
July	23	24	26	26	24	23	24.33
August	14	18	19	19	23	18	18.50
September	10	14	17	17	16	13	14.50
October	24	25	25	24	24	23	24.17
November	24	24	26	27	25	24	25.00
December	20	22	22	25	25	21	22.50

TABLE III
Coefficient of Variation in Employment

Zone	Average employment	Standard deviation	Coefficient of variation
I	16.50	6.10	36.97
II	19.00	4.57	24.05
III	20.83	3.90	18.72
IV	21.08	4.46	21.16
V	20.83	4.73	22.71
VI	18.72	4.74	25.05

The time-series data on seasonal employment in agriculture was not available. However, on the basis of the above discussion it could be said that seasonality in agricultural employment is lowest in areas which are better developed agriculturally and highest in less developed areas.

The agricultural employment was studied operation-wise also. Out of a total of 234 days provided by agriculture, the highest number of employment was generated by weeding operation (63 days) followed by harvesting and threshing (52 days), sowing and transplanting (51 days) and other operations 35 days. The number of employment days provided by ploughing operations was only 33 days. The latter was largely due to increasing trend towards tractorisation.

For studying the level of living of agricultural labourers, information about level of incomes is more important than the wage rates. While discussing income it is necessary to consider household as a unit, where income of all family members is pooled together to meet the family expenditure. The household income considered here comprised the earnings of all members as well as income of the household accruing from rearing of cattle and cultivation of crops, etc.

The income of sample agricultural labour households was derived from many sources. The wage employment was by far the most important source of income of agricultural labour households. It accounted for 82.64 per cent of total income. The major source of wage employment was agricultural employment comprising 96.52 per cent of total wage employment. The other important source of income was self-employment which accounted for 17.36 per cent of total income. The major portion of this income (88.25 per cent) came from livestock. This included selling of milk and milk products, cattle rearing, cattle gazing, sale of cow dung, etc.

Table IV gives the figures in respect of per household and per capita average annual income of agricultural labour.

TABLE IV

Per Agricultural Labour Household and Per Capita Income in Different Zones, Punjab, 1977-78

Zones	Average Annual income (Rs)	
	Per Household	Per Capita
I	3737.78	596.17
II	4382.28	671.10
III	5229.54	826.15
IV	5167.86	836.22
V	5100.14	832.00
VI	4247.22	673.09
State	4650.14	739.12

The per household income was highest in zone III (Rs 5229.54) followed by zone IV (Rs 5167.86) and zone V (Rs 5100.14). The lowest level of household income was in zone I (Rs 3773.78). It was Rs 4247.22 in zone VI. The average annual income of agricultural labour household worked out at Rs 4650.14 for the State. The differences in household income in different zones could be primarily due to differences in agricultural employment opportunities resulting from the differential level of agricultural development.

The per capita income figures given in Table IV show that the income was highest in zone IV (Rs 836.22) closely followed by zone V (Rs 832.00) and zone III (Rs 826.15). Again, the level of per capita income in zone VI was Rs 673.09 followed by zone II with Rs 671.10 and zone I with Rs 596.17. For the State level, the figure was Rs 739.12. The differences in per capita income between zone I and zone III and between zone I and zone IV were highly significant. The difference was also significant between zone I and zone V, between zone III and zone VI and between zone IV and zone VI. The differences in per capita income between other zones were not significant.

No time series data on average annual income of agricultural labour households was available for the Punjab State. However, information in this respect was available in some enquiries, surveys and studies at different points of time. Though this information was not comparable strictly due to different methodology adopted and different areas covered, still an idea can be formed about their position over time. The information is given in Table V.

The first Agricultural Labour Enquiry showed that average annual income of agricultural labour household was Rs 607.00 for the State in 1950-51. It rose to Rs 731.00 during 1956 57 as revealed in the Second Agricultural Labour Enquiry with no change in Consumer price index. A study[2] based on data given in the "Studies in Economics of Farm Management, Ferozepur District 1967-70" worked out the average annual income of agricultural labour household at Rs 2277 46 in 1971-72 which showed an increase of 211.55 per cent as against 139 per cent in consumer price index. This indicated substantial improvement in conditions of agricultural labour households. The study also revealed that income of agricultural labour households increased from Rs 2277.46 in 1971-72 to Rs 4338.28 in 1974-75. This gave an increase of 90 per cent in income as against 50.83 per cent increase in consumer price index. This showed some improvement in the economic conditions of agricultural labour households during this period. The present study (1977-78) worked out the average annual income of agricultural labour households for the State as Rs 4650.14. This gave an increase of 7.31 per cent over the year 1974-75 with almost no increase in consumer price index. So conditions of agricultural labour improved during this period also.

TABLE V

Average Annual Income of Agricultural Labour Households in Punjab.

S. No	Years	Income Rs	Consumer price index base year 1950-51 = 100
1	1950-51	607.00	100
2	1956-57	731.00	100
3	1971-72	2277.46	239
4	1974-75	4338.28	239
5	1977-78	4650.14	357

The study brought out that a majority of the agricultural labourers were working as casual labourers and the proportion of attached labour has considerably declined over time, thereby indicating an improvement in the bargaining capacity of the labourers. It was noted that over 90 per cent of the employment to the labour force was provided by the agricultural sector but the problem of seasonality in the employment although, lessened substantially, was still encountered during the months of February and March. This suggested that public works programmes in the rural areas should, as far as possible, be timed to correspond with the lean months. Again, it was seen that the income of the agricultural labour households had improved over time when measured in money terms but their real income recorded only nominal increase due to rise in the prices of consumer goods. It was also found that the economic conditions of the labourers, in general, were better in the agriculturally developed area of the State, in spite of relatively larger supply of labour in these areas due to the seasonal migration of labour from adjoining States. This indicated a potential for improvement in the living conditions of the labour force in the underdeveloped areas of the State through raising agricultural productivity.

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STATE OF THE ECONOMY

Industrial Output Up

TOTAL PRODUCTION of public sector undertakings under the Department of Industrial Development was valued at Rs 2539.51 lakhs being 95.05 per cent of the target of Rs 2671 67 lakhs during September 1981. This shows an increase of 46 30 per cent over that of September 1980 (Rs 1735.77 lakhs). The monthly production excludes production of Hindustan Salts Ltd., which is engaged in a seasonal industry and whose production is valued at Rs 0.80 lakhs during the month of September 1981. The cumulative production during the first six months of the current year (1981-82) was valued at Rs 13181.62 lakhs, 93.67 per cent of the target of Rs 14071.09 lakhs. This was 37.42 per cent higher than the production of Rs 9592 07 lakhs in the corresponding period last year.

► Public sector undertakings which achieved over 100 per cent target were: Hindustan Paper Corporation Ltd. (119.28%), National Instruments Ltd. (110.50%), Instrumentation Ltd. (110.21%), Tannery & Footwear Corporation (109.11%) and National Newsprint and Paper Mills Ltd. (107.11%). Public sector undertakings which achieved over 80 per cent were: Hindustan Photo Films Manufacturing Company Ltd (98.21%), Hindustan Cables Ltd. (89.29 %), Cement Corporation of India Ltd. (86.94%), Cycle Corporation of India Ltd. (82.17%) and Andrew Yule & Company Ltd. (80.33%).

The performance of the public sector undertakings which have achieved more than their targetted levels of production, actual production and percentage achievement during the month under review is indicated below: *Hindustan Paper Corporation Ltd.*: The Corporation has at present one unit in production viz. The Mandya National Paper Mills Ltd. The production during the month has been of Rs 110.03 lakhs, and 119.28 per cent of the target of Rs 92.24 lakhs and 207.17 per cent higher than the production of Rs 35.82 lakhs in September 1980. Cumulatively, the production during the first six months has been of Rs 448.08 lakhs, 85.98 per cent of the target of Rs 521.12 lakhs and 128.06 per cent higher than the production of Rs 196 47 lakhs in the corresponding period last year.

National Instruments: The production during the month has been of Rs 31.55 lakhs, 110.50 per cent of the target of Rs 28.55 lakhs and 25.99 per cent higher than the production of Rs 25.04 lakhs in September 1980. Cumulatively, the production during the first six months has been of Rs 153.37 lakhs, 101 42 per cent of the target of Rs 151.22 lakhs and 31.85 per cent higher than the production of Rs 116.32 lakhs in the corresponding period last year.

Instrumentation Ltd.: The production both at Kota and Palghat units during the month has been of Rs 231.46 lakhs, 110 21 per cent of the target of Rs 210.00 lakhs and 36.12 per cent higher than the production of Rs 170.04 lakhs in September 1980.

Cumulatively, the production during the first six months has been of Rs 1142.99 lakhs, 112.05 per cent of the target of Rs 1020.00 lakhs and 17.72 per cent higher than the production of Rs 970.90 lakhs in the corresponding period last year.

National Newsprint & Paper Mills Ltd.: The production during the month has been of Rs 220.43 lakhs, 107.11 per cent of the target of Rs 205.79 lakhs and 42.02 per cent higher than the production of Rs 155.20 lakhs in September 1980. In physical terms the production during the month has been 4690 tonnes against the target of 4583 tonnes and the production of 4215 tonnes in September 1980. Cumulatively, the production during the first six months has been of Rs 1291.82 lakhs, 104.62 pet cent of the target of Rs 1234.75 lakhs and 106.14 per cent higher than the production of Rs 626.65 lakhs in the corresponding period last year.

Tannery and Footwear Corporation of India Ltd: The production during the month has been of Rs 55.31 lakhs, 109.11 per cent of the target of Rs 50.69 lakhs, 58.39 per cent higher than the production of Rs 34.92 lakhs in September 1980. Cumulatively, the production during the first six months has been of Rs 238.20 lakhs, 78.32 per cent of the target of Rs 304.11 lakhs and 35.06 per cent higher than the production of Rs 176.36 lakhs in the corresponding period last year.

Exports Rise

Exports in the first six months (April-September) of the current financial year rose by 16.6 per cent over the same period last year. The earnings were placed at Rs 3,326.45 crore against Rs 2,853.84 crore.

Imports, on the other hand, amounted to Rs 5,606.69 crore compared with Rs 5,781.60 crore, showing a fall of three per cent in the same period.

In a written reply, Minister of State for Commerce K.A. Khan, told the Rajya Sabha that the exports in the latter-half of the year were normally more than the first-half.

Answering another question whether it would be possible to achieve the export target of Rs 8,400 crore for the financial year, Mr Khan stated: "In the context of the prevailing environment in international markets, it is difficult to give a precise assessment."

However, all possible efforts were being made to achieve the target. For this purpose, various export promotion measures were under constant review by the Government," the Minister explained.

Mr Khan also informed the House that no target for imports during the current financial year had been stipulated.

Wholesale Prices

The official wholesale price index for all commodities declined by 0.2 per cent. It stood at 279.9 during the week ended November 21 against 280.4 in the previous week.

The index during the week ended November 22, 1980—a year ago - was placed at 259.6. This implied an increase of 20.3 points as the index on November 21 this year stood at 279 9.

The food articles group showed a fall of 0.6 per cent. This was attributed to a decline in the prices of urad, fruits and vegetables, wheat, butter and gram.

The index for non-food articles also eased by 0.4 per cent due to lower prices of niger seed, kardi seed, raw tobacco, raw hides and caster seed.

Import Policy on Ammunition

The Union Government has amended the import policy relating to import of ammunition. It has now decided that import licences may be issued to licensed arms dealers for specified types of ammunition, at five per cent of the value of their annual average sales turnover of ammunition (whether indigenous or imported during the last three years, 1978-79 to 1980-81.

According to a public notice issued by the Chief Controller of Imports and Exports, import licences thus granted will be valid for import of the following ammunition:

(i) Shotgun cartridges 28;

(ii) revolver cartridges .320, .450, 455, .45 bores; (iii) Pistol cartridges .25, .32, .30, mauser. 450. .45 bores; (iv) Rifle cartridges 6.5 mm., .22 savage. .22 hornet, 300 sherwood, 32/40, .256, .275, .280, 7 m/m mauser, 7 m/m man. schoener, 9 m/m mauser. 9 m/m man. schoener, 8x57, 8x57S. 9.3 m/m. 375 magnum, .405, .30.06, .270, 30/30, winch, .318, .33 winch, .240 magnum, .351 winch, .275 mag, 350 mag. 400/ 350, .369 purdey, .450/400, .470, .32 win, .458 win, .380 rook, .220 swift, .44 win bores.

Gold Price for Jewellery Export

The price of gold for December has been fixed at Rs 1291 per ten grammes, lower than the previous month's price ($431.25 per troy ounce) for export of jewellery against gold supplied by the foreign buyer, according to Handicrafts and Handloom Export Corporation of India.

The price fixed as above will be relevant to the date on which export contract is entered into and not the date on which the export takes place.

Fuel for Tarapore

India cannot seek supply of enriched uranium for the Tarapur power plant from other sources as long as the agreement with the US exists, Minister of State for Science and Technology C.P.N. Singh told the Lok Sabha.

Answering a number of questions on the subject, the Minister explained that a number of meetings had been held between the two countries and the House would be informed as soon as a decision was taken on the report submitted by a team of officials which visited the US recently.

He, however, assured the members that an alternative fuel—mox fuel—had been developed indigenously for keeping the plant running if the agreement with the US was terminated. The plant would not be allowed to stop working, he added.

Prime Minister Indira Gandhi who was present in the House also assured that India would not allow any foreign country to have a say in our decision making.

Paddy Procurement

Paddy procurement by the official agencies and purchases by millers have reached 4.1 million tonnes in terms of rice as against 3.6 million tonnes procured last year. According to official sources here, the significant aspect of procurement this year has been greater lifting by the millers. In Uttar Pradesh, for instance, stocks with millers are now about 3.55 lakh tonnes while last year there were no stocks with them at this time.

The Food Corporation of India and other official agencies have so far procured 28.57 lakh tonnes as compared to 28.98 lakh tonnes last year.

Market arrivals in Punjab till now have been slightly higher than in the previous year. About 46 93 lakh tonnes has arrived against 41.91 lakh tonnes last year. Procurement by the official agencies is, however, at about the same level as last year at 21.15 lakh tonnes. Last season at this time they had procured 20.86 lakh tonnes.

Stocks with millers in this State are substantially higher than in 1980-81. Latest estimates indicate that these had reached 23.79 lakh tonnes as compared to 16.29 lakh tonnes last year. In Haryana market arrivals so far have been 13.97 lakh tonnes as against 14.35 lakh tonnes at the same time last year. The procurement by the official agencies is about one lakh tonnes lower this year.

Tin Price Raised

The official pricing committee for the sale of non-ferrous metals by the State-owned Minerals and Metals Trading Corporation (MMTC) has raised the selling price of tin by Rs 5,000 per tonne to Rs. 2.45 lakh per tonne with effect from December 1.

The committee has, on the other hand, reduced the price of pig lead with 99.97 per cent purity by Rs. 750 per tonne to Rs 11,250 per tonne. Likewise, it has also reduced the price of pig lead with 99.99 per cent purity by Rs. 750 per tonne to Rs. 11,350 per tonne. In the case of nickel squares, cathodes and pellets also the committee has reduced the prices by Rs. 5,000 per tonne to Rs. 85,000 per tonnes. The price of nickel briquettes has also been reduced by Rs 5,000 per tonne to Rs 83,000 per tonne. The prices of all other materials remain the same.

Indo-Tanzania Trade

India has suggested to Tanzania a proposal for a joint

DEPARTMENT OF ATOMIC ENERGY

Directorate of Purchase and Stores

On behalf of the President of India, the Director, Directorate of Purchase and Stores, Department of Atomic Energy, Bombay-400 001, invites tenders as detailed below :—

1. DPS : TTP : ENG : 6 due on 22.12.81. Fabrication of standard steel glazed windows of different sizes in large quantities at Department's stores, Deonar. Qty. 1,880 Nos.

2. DPS : AMD : CAP : 558 due on 23.12 81. Supply of drilling accessories of suitable quality in different types as per purchaser's specification.

3. DPS : PPED : POL : 241 due on 28.12.81. Resin 2690 kgs. & hardener 1530 kgs.

4. DPS : BARC : MIA : 15763 due on 31.12.81. Visual display unit screen size : 30.0 diagonally and No. of characters – 1920 with multipage facility. Qty. 1 No.

5. DPS : R-5 : MIA : 230 due on 31.12.81. Preparation of art work from given line layout. Qty. 86 Nos.

6. DPS : NFC : MIA : 519 due on 2.1.82. Electrode drying oven. Qty. 3 Nos.

7. DPS : NFC : MIA : 520 due on 2.1.82. Flame detector for LPG vapouriser sheds, basement etc. as per our drawing plan and installation thereof.

8. DPS : BARC : MIA : 15749 due on 4.1.82. CRT computer with screen of 24 × 80 characters with floppy attachment. Qty. 2 Nos.

9. DPS : BARC : MIA : 15748 due on 4.1.82. P.A. system with 19 loudspeakers of 6 watt each. Qty. 1 No.

10. DPS : BARC : MIA : 15714 due on 5.1.82. Tan-delta and capacitance measuring set to work on 440 V, 3.3 KV, 6.6 KV. Qty. 1 No.

11. DPS : BARC : MIA : 15745 due on 5.1.82. Colour video system complete with recorder/player, camera etc. Qty. 1 No.

12. DPS : BARC : MIA : 15764 due on 6.1.82. Atmospheric temperature recording system - six channel complete with recorder, scanner etc. Qty. 1 No.

13. DPS : BARC : MIA : 15667 due on 6.1.82. Pressure steam sterilizer - S.S. electrical having working space 600 × 450 × 350 mm horizontal type. Qty. 1 No.

14. DPS : PPED : MIA : 686 due on 7.1.82. Fabrication, mounting of components on control cards for automatic constant voltage rectifier as per purchaser's drawings/specification. Qty. 5 sets.

15. DPS : HWP : MIA : 817 due on 11.1.82. On-line conductivity meter for Heavy Water (D 20) with operating temperature 0 to 60°C and flow 4 to 40 litres/hour. Qty. 4 Nos.

Tender documents priced Rs. 10 each for items 4, 8, 9, 10, 12 and 15; Rs. 25 each for items 5, 6, 7, 11, 13 and 14; Rs. 35 for item 3; Rs. 50 for item 1; Rs. 75 for item 2 and General conditions of contracts priced 50 P. to all items can be had from the *Finance and Accounts Officer, Department of Atomic Energy, Directorate of Purchase and Stores, 3rd Floor, Mohatta Building, Palton Road, Bombay-400 001*, between 10 a.m. to 1 p.m. on all working days except on Saturdays. Import Licence will be provided only if the items are not available indigenously to all items except item 3. Tenders will be received upto 3 p.m. on the due date shown above and will be opened at 4 p.m. on the same day. The right is reserved to accept or reject lowest or any tenders in part or full without assigning any reasons.

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venture project in the production of cashew in that country with buy-back arrangements. This was indicated to the visiting Tanzanian Minister of Trade, Mr Ali S. Mchumo, when he called on Mr Pranab Mukherjee, Union Minister for Commerce, Steel & Mines, here recently. Mr Mchumo said that the proposal could be looked into by the Indo-Tanzanian Joint Commission.

Tanzanian Minister had come here at the invitation of Mr Pranab Mukherjee, specially to attend the India International Trade Fair 1981. Mr. Muchumo had also gone round the IITF'81 and held several meetings with the Indian exporters to identify areas of cooperation between the two countries.

India's exports to Tanzania increased steadily from Rs. 16.64 crores in 1975-76 to Rs. 23.78 crores in 1976-77 and Rs 39.14 crores in 1977-78 Thereafter it fell marginally to Rs. 36.10 crores in 1978-79 and Rs 31 24 crores in 1979-80.

India's imports from Tanzania also increased from Rs. 24.03 crores in 1975-76 to Rs. 47.66 crores in 1976-77 and to Rs 50.74 crores in 1977-78. It, however, fell drastically to Rs. 19.85 crores in 1978-79 but later increased to to Rs. 32.12 crores in 1979-80.

The share of India in the total imports and exports of Tanzania is 2.77 and 8.5 per cent respectively. Till 1977-78, India had constantly an adverse balance of trade with Tanzania which was due to the bulk import of raw cashew from there.

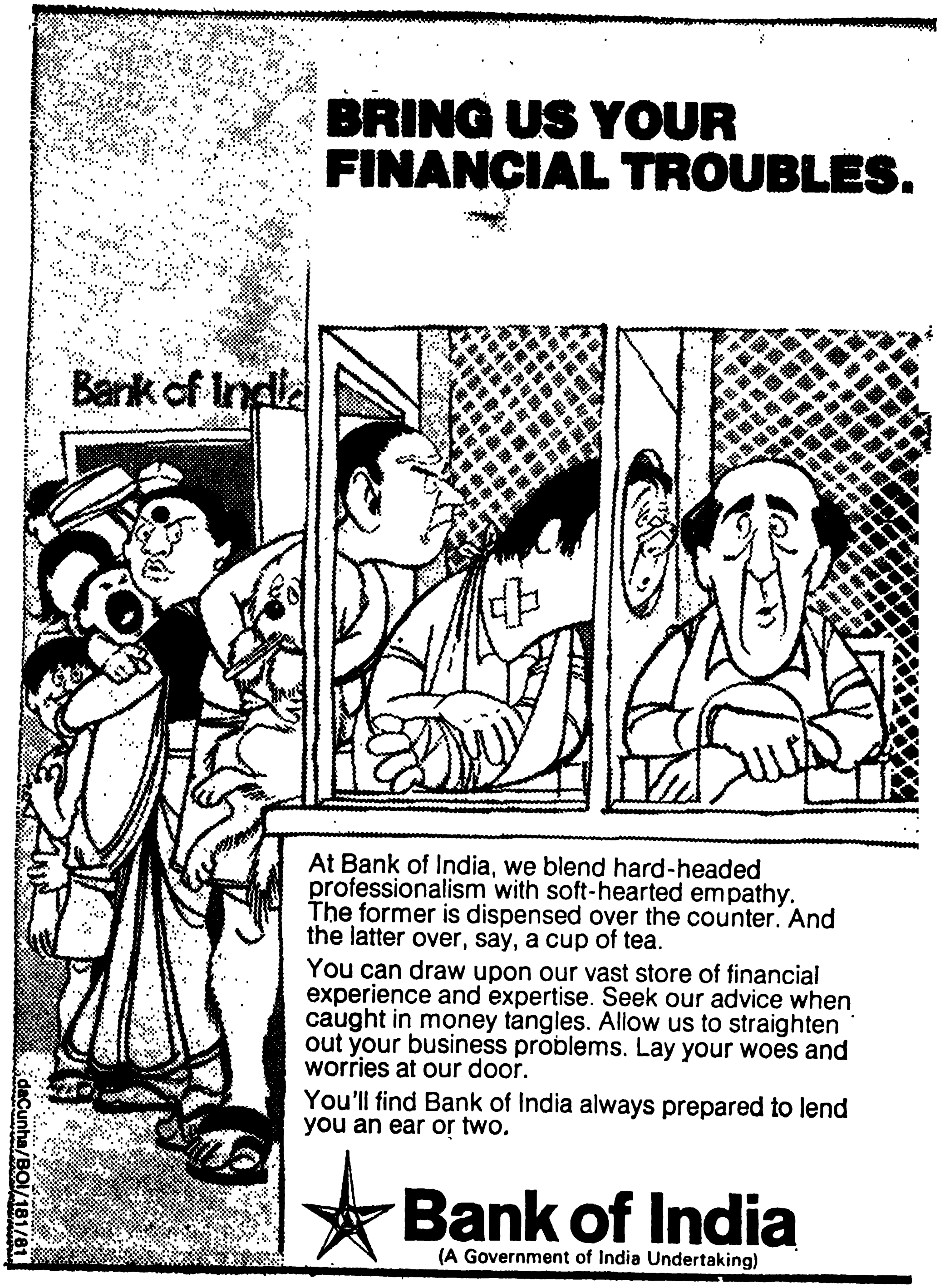
Molasses and Alcohol Availability

The availability of molasses and alcohol is expected to be better during the 1981-82 and 1982-83 seasons. With two consecutive good years to come, it should be possible to plan for adequate availability of alcohol. This consensus was reached at the Central Molasses Board meeting which concluded its deliberations here recently.

The Board estimated that during the coming 1981-82 season (December 1981-November 1982), 29.31 lakh tonnes of molasses would be available. This would be adequate to meet the requirments for different uses of molasses.

Most of the surplus molasses would be, however, concentrated in Maharashtra. The level of alcohol production would, therefore, very much depend upon the volume and pace of movement of molasses from Maharashtra to deficit States and the distillery capacity utilisation in various States. A Linkage Committee is being set up by the Department of Chemicals and Fertilisers to monitor the movement of molasses from surplus to deficit States. Railways have assured maximum cooperation to the State Governments in the movement of the commodity.

The Board meeting was attended by Excise Ministers of Andhra Pradesh, Karnataka, Orissa, Gujarat, Madhya



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Pradesh, Rajasthan, Punjab, Haryana, Himachal Pradesh, Uttar Pradesh, Sikkim, Nagaland and West Bengal and Excise Secretaries and Commissioners of all States and Union Territories. Representatives of Railway Board, distilleries, alcohol based industries, sugar mills and chemical manufacturers were also present.

Sarin Committee Report

The Committee on Telecommunications headed by Mr H.C. Sarin has submitted six interim reports till date. These reports cover various aspects of planning, operations and maintenance of telecommunication services and manufacture of telecommunication equipment in the country. This was stated by Mr Kartik Oraon, Minister of State in the Ministry of Communications, in reply to a question in Lok Sabha recently. The Minister further said that the major items covered on the intreim reports are: i) Short-term measures for improvement of the services in metropolitan and major telephone districts; ii) Setting up the manufacture of electronic switching equipment; iii) Short-term measures for improvement of the services in smaller telecom. systems and other miscellaneous items; iv) Training and vigilance; v) Factories and Production; vi) Research and Development and material management.

Capacity Utilisation in Steel Plants

The Minister for Steel & Mines, Mr Pranab Mukherjee, stressed the need for full utilisation of the capacity of each steel plant. This, he said, would greatly help to increase the production in all the steel plants and thus achieve the target.

The Minister was addressing the meeting of the Chief Executives of Steel Authority of India Limited recently. The meeting was attended by the Chairman, SAIL, Managing Directors of all the steel plants, MECON and HSCLs. The meeting was called by the Minister to review the performance of all the steel plants.

The Minister urged the executives to fully assess the market requirement of each item and gear up production accordingly. This would give better financial results. He said that while he laid greater stress on increasing production the quality of each item produced must be maintained. The Minister said that he was fully aware of the increasing production cost and if the situation so warrants a part of it can be passed on to the consumer but the standard of the quality must be maintained.

Seminar on Economic Growth

The All-India Manufacturers' Organisation conducted a unique seminar on "Economic growth" - a meeting of minds between captains of industry and members of Parliament here recently.

The seminar, which was split into two technical sessions, discussed the major economic problems of the country.

The objective was to apprise the legislators of the problems of industry and share the experience of the members of Parliament some of whom had been in charge of sensitive areas in the Government.

The main aim was to "arrive at acceptable and pragmatic, solutions for implementation by the Government with a view to maximising production and increasing employment opportunities.

"The basic problem of the Indian economy is imbalance in the economy resulting in shortages and contributing to the inflationary spiral", Dr. Poddar President of the All India Manufacturers' Organisation, stated.

He felt that some of the Government policies had been characterised by draconian controls, scuttling initiative in the private sector. It also denuded the corporate sector of even savings for ploughing back funds. This had led to unsavoury repercussions like profiteering, Dr. Poddar said. At the same time, he pointed out, "the most unrestrained, unproductive Government expenditure has only accentuated the dimensions of the problem."

The seminar, he said, was especially planned in view of the fact that even though appreciable progress had been made in certain sectors, "overall impact of economic progress has been feeble, characterised by malcontent in most spheres."

The seminar was inaugurated by the Deputy Minister of Industries, Mr P.A. Sangma. The technical session was chaired by Mr P L. Tandon, President of the National Council for Applied Economic Research. Mr Mohd. Fazal, Member, Planning Commission and Mr Sita Ram Kesri, Union Minister of State for Parliamentary Affairs also attended besides Members of Parliament.

Water Management Training Institute

The Government proposes to set up a National Staff Training Institute for officials in all aspects of water management. This information was given by Mr Z.R. Ansari, Union Minister of State for Iraigation, in the Rajya Sabha. Mr Ansari further informed the House that this proposal was still under consideration and details have not been finalised so far.

Marine Fish Production

The Sixth Plan envisages a target of marine fish production of 22 lakh tonnes. Mr R.V. Swaminathan, Union Minister of State for Agriculture gave this information to the Rajya Sabha recently in a written answer to a question by Mr B.C. Pattanayak.

Mr Swaminathan also informed the House that to achieve the all-India marine fish production target, various measures are being taken. Among these, the important ones are augmentation of deep sea fishing fleet through indigenous construction, import and charter of foreign fishing vessels. For indigenous construction of fishing vessels, Government provides 33 per cent subsidy on the cost of the vessels. For procurement

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of fishing vessels, soft loan at 4½ per cent interest is given through Shipping Fund Development Committee. A charter policy has been announced to enable the entrepreneurs to charter foreign fishing vessels to exploit untapped fishing resources. The Minister added that the State Governments have various programmes including the programme for introduction of additional number of small mechanised boats in selected areas to increase production of in-shore fisheries.

MF Group to Speedup Electronic Use

Massey-Ferguson, which introduced the first electronic linkage control tractor into the UK last year with its giant 260 DIN hp pivot steer MF 4840, promises that much wider use of electronic control is on the way.

It has formed the Central Electronics Group within the company's world-wide Engineering Division to provide its own pool of electronics expertise and take full advantage from the growth in electronics technology.

The new group will enable MF to accelerate its advance into electronics systems, which, it says, will be increasingly extended in the 1980s to applications in agricultural and industrial machinery and diesel engines.

In addition to introducing electronics systems directly to products to make farm machinery use more efficient and simpler for owners and operators, the new MF group will also emphasise electronics technology in computer-aided design and product testing.

IRCON to Build Zambian Rail

India will construct a 20-kilometre railway line between Chipata in Zambia and Mchinji in Malawai, it was decided at a meeting between the four-member visiting Zambian delegation and a Railway Ministry delegation recently.

The construction, estimated to cost Rs 18 crores, will be taken up by the Indian Railway Construction Company (IRCON), a subsidiary of the Railway Ministry.

The Railway Minister, Mr Kedar Pandey, led the Indian delegation while the Zambian Minister for Power, Transport and Communications, Mr Rajah Kunda, led his country's delegation.

It was also decided that the Projects and Equipment Corporation (PEC) would start export of 50 coaches and other rolling stock to Zambia. At the final round of discussions it was agreed that Zambia would export copper to India to pay for the cost of construction.

Names in the News

Mr **Ajay Dua** has taken over as the Managing Director of the Maharashtra Small Scale Industries Development Corporation Limited. Before this he was with the Government of India, in the Ministry of Industries looking after the development of Small Scale Industries.

Mr. **D.C. Gami**, Managing Director, Gujarat State Fertilizers Company has been elected as Chairman, Fertilizer Association of India for the year 1982-83.

Mr D.C. Gami

Mr. Gami has been associated with FAI in various capacities for the past several years. He was Vice Chairman of the Association for the year 1980-81. He was the member of FAI's Technical Committee and the Research Committee for some years.

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COMPANY AFFAIRS

Mysore Cements New Plant at Damoh

MYSORE CEMENTS is going ahead with the erection of the plant at Damoh. All the imported machinery has arrived but due to non-delivery of certain essential indigenous equipment in time, erection work in important sections has been held up. The management is making strenuous efforts to adhere to the original schedule of commissioning the plant by the end of this month.

For implementing the asbestos cement sheet project the company has decided to install the most modern plant and equipment and has applied for grant of necessary import licence. The company has also applied for extension of the validity of the 'letter of intent' which expired on September 25 last. An application for a loan of Rs 1.5 crore has been submitted. Subject to the import licence being granted and the loan being made available before the end of this year, the plant is expected to be commissioned by the beginning of 1983.

The company has been able to increase its installed capacity to seven lakh tonnes per annum by installing precalcinators on existing kilns and raising cement grinding capacity, but it could not reap the expected benefit during the year ended June 30, 1981, due to the inadequate quota and bad quality of coal.

The company has produced 3,55,075 tonnes of clinker and 4,32,763 tonnes of cement as against 3,29,795 tonnes and 3,58.912 tonnes, respectively, in the previous year. Its cement despatches total 4,32,114 tonnes against 3,58,187 tonnes. Although sales have expanded from Rs 13.35 crore to Rs 17.82 crore, the gross profit has looked up only modestly from Rs 1.39 crore to Rs 1.50 crore, reflecting the impact of the rise in production costs and inadequate retention price of cement.

The Directors have set aside Rs 113.18 lakh (Rs 90.63 lakh) for depreciation and Rs 25 lakh (Rs 61.70 lakh) for investment allowance. The proposed dividend on equity shares at 12.5 per cent and the usual payment on prerefence shares will together absorb Rs 47.07 lakh (Rs 30.68 lakh).

Fuel Injections Skips

Fuel Injections has reported better working results for the year ended June 30, 1981, but is again skipping the dividend because of the past losses.

Sales and other income have amounted to Rs 2.11 crore against Rs 1.72 crores in the previous year and the gross profit is Rs 21.40 lakh against Rs 17.12 lakh. After depreciation, there is a net profit of Rs 14.52 lakh compared to the previous year's Rs 9.42 lakh. The profit has been utilised to wipe out the deficit of Rs 14.16 lakh brought forward from the previous year.

The Directors state that the demand for the company's products continues to be good and they hope to come out with a better performance for the current year.

Searsole Chemicals

Searsole Chemicals has turned out good working results for the year ended April 30, 1981. It has been able to wipe out the past losses of Rs 24.42 lakh and also provide for arrears of depreciation amounting to Rs 4.35 lakh.

On a turnover of Rs 1.72 crore against Rs 94 lakh in the previous year the company has earned a gross profit of Rs 37.13 lakh against Rs 9.02 lakh. After depreciation (including arrears), there is a net profit of Rs 25.97 lakh compared to the previous year's Rs 3.29 lakh.

The Directors state that there have been some delays in implementing some of the schemes. Efforts are being made to complete the unfinished jobs as quickly as possible. Besides, a detailed proposal for an expansion, involving an outlay of Rs 60 lakh, is under consideration of ICICI and PICUP.

Premier Automobiles

Premier Automobiles has achieved a substantially higher production of passenger cars and commercial vehicles during the first four months of the current accounting year. Its output of cars during July to October 1981 amounted to 6,782 against 1,825 cars in the corresponding period of last year. Its output of disesel trucks totalled 956 against 231 in the first four months of the previous year. The production figures for the two periods are however not comparable as the company's plant was closed for two and half months during July-September 1980.

The company's Chairman, Mr Lalchand Hirachand states that the prospects for the current year are promising. The company is planning to step up production of both cars and commercial vehicles.

The company has also plans to expand production capacity of commercial vehicles with entirely a new range of vehicles.

The Government has approved the company's proposal for

GOVERNMENT OF INDIA

6.25 PER CENT. LOAN, 1987 (SECOND ISSUE)
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8.00 PER CENT. LOAN, 2011 (FOURTH ISSUE)
TO BE ISSUED AT RS. 100.00 PER CENT.
AND REPAYABLE AT PAR ON 27TH APRIL 2011.

Subscriptions to the above loans will be received simultaneously in the form of cash/cheque or securities of 5 per cent National Defence Loan, 1981 and will be limited to a total of Rs. 400 crores Government reserves the right to retain subscriptions upto ten per cent. in excess of the notified amount.

2. Subscriptions will be received only on the 21st December 1981 upto the close of Banking hours. In the event of a holiday being declared under the Negotiable Instruments Act, 1881 on that day by any State Government, the subscriptions will be accepted at the concerned receiving offices in that State upto the close of Banking hours on the following working day.

3 If the total subscriptions received for the loans exceed the notified amount plus the amount of ten per cent. retainable as aforesaid, partial allotment will be made in respect of the cash subscription received on a proportionate basis and the balance refunded in cash as soon as possible.

Interest on the securities of 5 per cent. NDL 1981 tendered for conversion will be paid at the rate of 5 per cent, per annum upto and inclusive of 19th December 1981. In addition, anticipatory interest will also be paid according to rate of interest of the new loan applied for, i.e. 6 25 per cent, or 8.00 per cent, per annum as the case may be, for one day i.e. 20th December 1981 at the time of issue of the new securities.

4 Interest for the period from 21st December 1981 to 26th April 1982 (inclusive) on both the loans now issued will be paid on 27th April 1982 and thereafter interest on these loans will be paid half-yearly on 27th October and 27th April.

5 Applications for the loans will be received at :

(a) Offices of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay, (Fort and Byculla) Calcutta, Hyderabad, Jaipur, Kanpur, Madras, Nagpur, New Delhi, and Patna;

and

(b) Branches of the State Bank of India all places in India except at (a) above.

6. Securities will be issued in the form of Promissory Notes or Stock certificates.

7. For any further clarification, please apply to any of the offices or branches mentioned in paragraph 5 above.

foreign collaboration and for capital goods imports with regard to upgradation of Premier Padmini car through adoption of Fiat 124 car body and an improvement in the fuel economy of the engine. The company is also undertaking the project of modernising and shifting car assembly plant to Dombivali. The total investment estimated is placed around Rs 28.5 crore spread over two and a half years.

Indian Oxygen

The Board of Directors of Indian Oxygen Limited has recommended a final dividend of 11 per cent for the year ended September 1981. With an interim dividend of nine per cent, the total dividend for the year will work out to 20 per cent.

It has also been decided to recommend the issue of 27,37,777 new ordinary shares of Rs 10 each as fully paid up bonus shares in the proportion of one for three subject to the consent of the Controller of Capital Issues

The company's performance in the last financial year has shown substantial improvement over that of the previous year. Sales income at Rs 7,794 lakh was higher by about 26 per cent and the profit (before tax but after providing for depreciation and interest charges) amounted to Rs 960 lakh, against Rs 455 lakh in 1979-80.

Corn Products

The working of the Corn Products Company (India) Ltd resulted in a loss of Rs 6.21 lakh during the year ended September 30, 1981 against a profit of Rs 16.30 lakh of the previous year.

The Directors of the company therefore, propose to skip the dividend for the year.

Usha Alloys

Usha Alloys and Steels Ltd is entering the capital market with an issue of 1.50 lakh redeemable secured debentures of Rs 100 each for cash at par on January 19, 1982. The debentures bear interest of 13.5 per cent (plus another one per cent interest if equity dividend exceeds 15 per cent).

The holder will have right to subscribe to three equity shares of Rs 10 each at a premium of Rs 5 per share for each debenture held. The issue is being made to augment the long-term resources of the company.

Buxar Dooars Tea

The management of the Buxar Dooars Tea Company (India) Limited have made a representation to the West Bengal Labour Department that unless a speedy solution to the problems of the tea estates are found, it will be impossible to keep the gardens in operation.

The company had declared a lock out of the tea gardens and a settlement had been reached in October this year. The management had pointed out that the four tea gardens were being run at a loss. The Labour

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davp 81/205

Minister, Mr Krishnapada Ghosh had said at that time that the State Government would assist the company in drafting a course of action which would restore its viability.

According to an analysis made by the company the reasons for the non-availability are primarily due to the excessive demands for various kinds of benefit by the labour force employed in the four tea estates. To begin the management has demanded that the ratio of labourers sub-staff and staff have to be reduced as there is considerable over manning. Not only should medical benefits be pruned, but inefficient workers should be made to retire, the management has indicated. Productivity norms have to be raised, but cuts in ration allowance given as a matter of custom to labour should also be imposed in the management's view.

It terms of State Government support, the company has asked for major concessions from the Forest Department by suggesting that forest land taken over from the company be restored for extending plantations. More land should be given to the company so that it can procure free fire wood for its labourers, the company has demanded.

These expenditure cuts, the Buxar Dooars management has said, are the minimum, requirements if viability is to be restored and for the company to continue to function.

Cemindia' Dividend

The Directors of Cemindia have proposed to step up the equity dividend to 20 per cent for the year ended September 30, 1981 from 15 per cent paid for the previous year.

The company's gross profit has increased to Rs 1.50 crore from Rs 94.49 lakh following the rise in sales to Rs 8.92 crore from Rs 5.27 crore.

Its net profit amounts to Rs 26.80 lakh against Rs 17.82 lakh after providing Rs 53.06 lakh (Rs 24.26 lakh) for depreciation, Rs 45.60 lakh Rs 45.80 lakh) for investment allowance reserve. The proposed dividend will claim Rs 16 lakh against Rs 12 lakh.

Pond's (India)

Pond's (India) Ltd has received a Government consent for issue of 4.20 lakh equity shares of Rs 10 each as bonus at two for five

---

NOTICE

Universal Electrics Ltd.

It is hereby notified for the information of the public that Universal Electrics Limited having its registered office at 9/1 R.N. Mukherjee Road, Calcutta, proposes to give to the Central Govt. in the Department of Company Affairs, New Delhi, a notice under sub-section (1) of Section 21 of the Monopolies and Restrictive Trade Practices Act 1969, for substantial expansion of its activities. Brief particulars of the proposal are as under :

1. Name of body corporate owning the undertaking : Universal Electrics Limited

2. Capital structure of the applicant undertaking :

	Rs.
Authorised	
10,00,000 Equity shares of Rs 10/- each	1,00,00,000
50,000 Pref. shares of Rs 100/- each	50,00,000
	1,50,00,000
Issued	
8,56,609 Equity shares	85,66,090
8,100 6.5% Pref. shares	8,10,000
12,000 9.3% Pref. shares	12,00,000
	1,05,76,090
Subscribed	
8,54,638 Equity shares	85,46,380
8,100 6.5% Pref. shares	8,10,000
12,000 9.3% Pref. shares	12,00,000
	1,05,56,380

Details of the proposed substantial expansion in the case of substantial expansion of existing activities

Annual Capacity

a. Name of Goods : —Measur and Convertors (for converting various parameters like current, voltage, VAR, phase angle, watt, frequency, to DC voltage).
— Maximum Demand Indicator.
— Trivector Meters
— Recording Meters
— Summation Meters.

b. Capacity before expansion : Nil

c. Expansion proposed : — Measur and Convertors —3000 Nos.
Maximum Demand Indicator — 2000 Nos.
Trivector Meters—750 Nos.
Recording Meters —1500 Nos.
— Summation Meters — 500 Nos.

d. Location : 20/3 Mile Stone, Mathura Road, Village Mujesar, Ballabgarh, Dist. Faridabad, Haryana.

e. Brief outline of the cost of the Project, the scheme and sources of finance
i. Cost of the Project : Land — Available
Building — Available
Machinery Rs 10 lakhs (Indigenous)

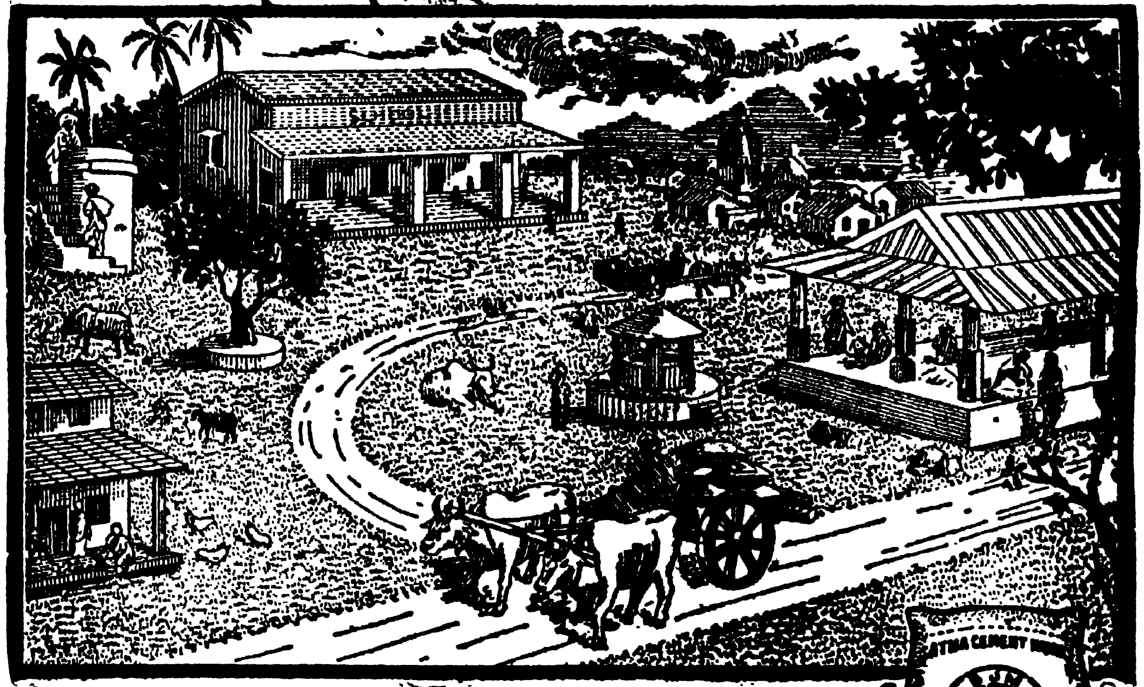
ii) Scheme and Source of Finance : To be met out of the internal resources of the Company.

Any person interested in the matter may make a representation to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, New Delhi, within 14 days from the date of publication of this notice, intimating his views on the proposal and indicating the nature of his interest therein.

Sd/-
(Y.N. Bhargava)
President

New Delhi
Dated : 16-3-81

"आदर्श गांव की मेरी यह कल्पना है कि उसके मकानों में काफी प्रकाश और वायु आ जा सके। गलियां, रास्ते, कुआं सब पक्के बने हों सबके लिये प्रार्थनाघर या मन्दिर हो, सार्वजनिक सभा के स्थान हों, गोशाला हों, प्राथमिक और माध्यमिक पाठशालायें हों जिनमें उद्योग की शिक्षा सर्वप्रधान वस्तु हो।" —महात्मा गांधी.



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Printed and published by R. P. Agarwala on behalf of the Eastern Economist Ltd., United Commercial Bank Building, Parliament Street, New Delhi, at the New India Press, K-Block, Connaught Circus, New Delhi.
Editor: Swaminathan S. Aiyar

Registered at the GPO, London
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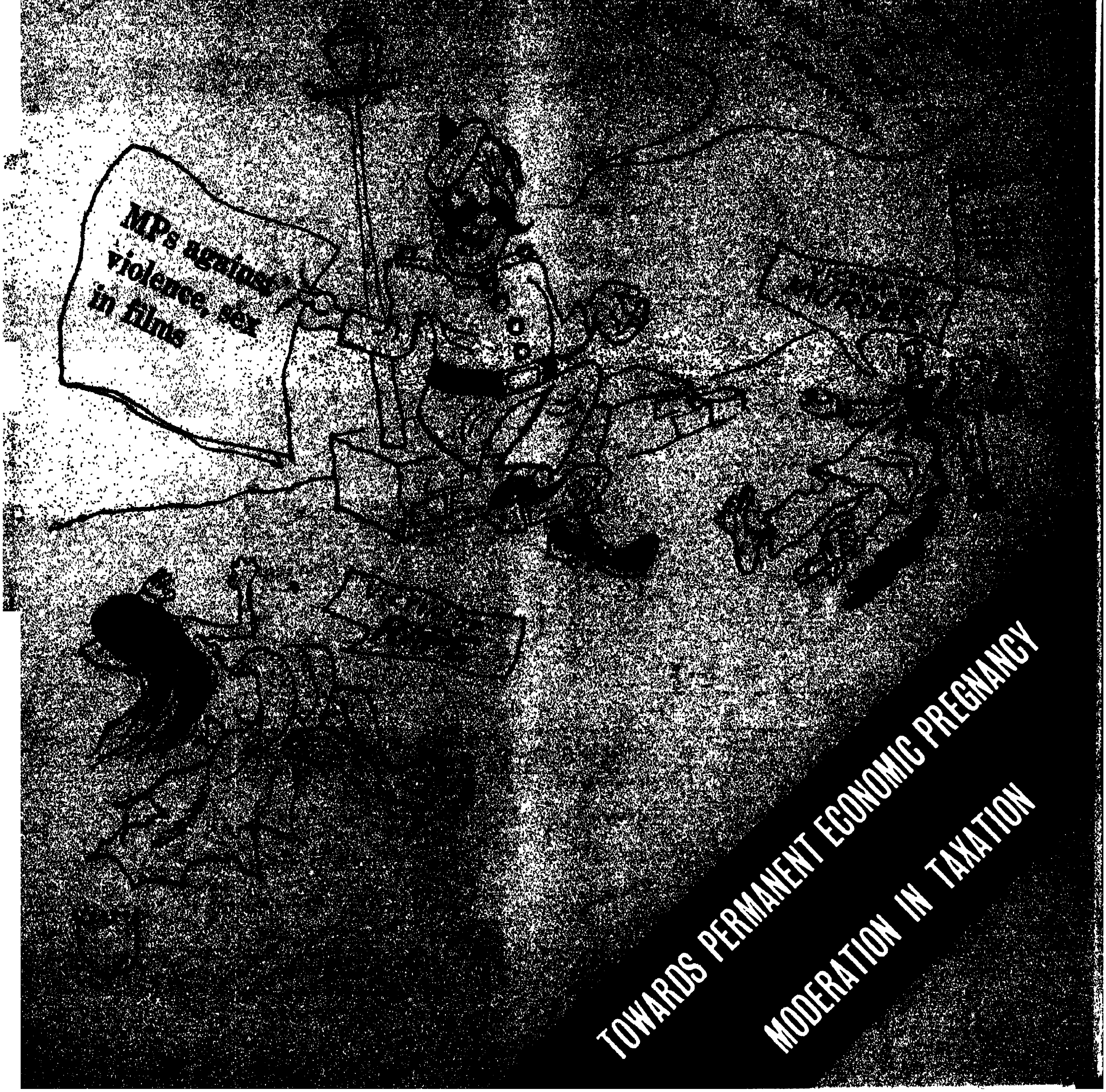

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This Week

December 9

Prime Minister Indira Gandhi called a meeting of the leaders of Opposition in Parliament to discuss the Assam and Khalistan issues.

The pound sterling became cheaper by 10 paise following the upvaluation of the rupee by 0.56 per cent by the Reserve Bank. The Bank has fixed the new middle rate at Rs 17.65 per pound against the earlier Rs 17.75 per pound.

The fluctuating value of the dollar will have no impact on the recently unified oil price benchmark of $34 a barrel, the Saudi Arabian Oil Minister Sheikh Ahmed Zaki Yamani states.

December 10

In all two Cabinet Ministers, five Ministers of State and one Deputy Minister were inducted into the Darbara Singh Ministry in Punjab raising its strength to 16.

Wholesale prices declined during the week ended November 28 by 0.5 per cent compared to the previous week. The index during the week at 278.5 was considerably lower compared to 282.6 on October 24 and 284.7 on September 26.

The pound sterling became cheaper by 10 paise following the upvaluation of the rupee by 0.57 per cent by the Reserve Bank. The Bank has fixed the new middle rate at Rs 17.55 per pound against the earlier Rs 17.65.

The Government presented to Parliament a second batch of supplementary demands, aggregating Rs 333.42 crores for 1981-82.

December 11

At least 6,000 people feared to have been washed away by a tidal bore whipped up by a severe cyclonic storm hitting the southern coastal areas of Bangladesh.

The Cotton Corporation of India purchased about 14.94 lakh bales of cotton in various cotton-growing States—except Maharashtra—during the 1980-81 cotton season.

The rupee was upvalued for the third consecutive day in terms of the pound sterling. The Reserve Bank of India has fixed the new middle rate at Rs 17.41 a pound against Thursday's Rs 17.55, an upvaluation of 0.85 per cent.

December 12

Peru's Javier Perez de Cuellar has been nominated by the Security Council for the post of United Nations Secretary General.

A further liberalisation of the exemption from capital gains tax, reduction of stamp duty, reorientation of the Rent Control Act and amendment of the Urban Land Ceiling Act are among the important recommendations made by an expert group to review and promote private housing activity in the country.

The ministerial conference of the Organisation of Petroleum Exporting Countries (OPEC) decided not to increase the price of oil during 1982.

December 13

Recent efforts to unite the fragmented non-Communist Opposition received a boost with the Janata Party resolving to revive the 1977 move to bring Opposition parties together to build a national alternative to the Congress (I).

Polish Premier Gen. Wojciech Jaruselski declared a state of emergency and imposed martial law in Poland.

December 14

The Reserve Bank of India upvalued the rupee against pound sterling by 2.35 per cent. The middle rate is Rs 17 from the previous Rs 17.41.

India and China concluded their first round of border talks and agreed to maintain further contacts, China's Foreign Ministry stated.

The Indo-Romanian trade protocol for 1982 envisages a trade turnover of Rs 262 crores, an increase of about 10 per cent over 1981.

December 15

The long-awaited deal for the supply of two submarines by West Germany to India has been signed according to the FRG Economics Minister, Dr Otto Gart Lambsdorff.

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ECONOMIST

Opposition Unity—For What ?

THE BICKERING old men of the Opposition have finally discovered, wonder of wonders, that bickering is not the best way of attaining popularity or power. The Janata Party has decided to jettison the Sarnath Resolution forbidding unity with other Opposition parties. The Lok Dal and Congress(S) have immediately applauded. Even the Bharatiya Janata Party has a powerful faction that favours unity, though the party as a whole is still against it. What remains to be demonstrated is whether this proven bunch of adventurers and opportunists will carry credibility with the public. They want to revive the "spirit of 1977". Oh really ? The spirit of 1977 was created by Mrs Gandhi's action in imposing an Emergency and throwing them into prison. Do they really want a repetition of that ? Or do they believe that the spirit of 1977 is some sort of patented alcoholic concoction which can be distilled whenever the patent-owner desires ? It is indeed pathetic to see this bunch of power-hungry men trying to recapture a virginity which was devastated long ago. Perhaps it is no more than human nature to pretend that the convenient elements of the past can be transplanted in the present. During the election campaign of 1977, Mrs Gandhi repeatedly condemned the Janata Party as being nothing more than the Grand Alliance of 1971, hoping in some way to recapture the spirit of 1971. She failed miserably. And the Opposition parties will fail for the same reason now. 1981 is not 1977, nor even 1971. Every year has its own characteristics, and voters are not so stupid as to think that nothing has happened since 1971 or 1977. It is tragic that even now the Janata Party can think of nothing more original than to call for unity against authoritarianism. This tactic proved a damp squib in the 1980 election, when there was a very real apprehension that Mrs Gandhi would impose a dictatorship. Now she has demonstrated quite clearly that the accusation was a canard. She may have her bad points—toleration of corruption being one of them—but to campaign against her today on a platform of anti-authoritarianism merely shows the bankruptcy of ideas on the part of the Janata Party At least Mr Atal Behari Vajpayee has shown more sense in trying to focus on corruption, though a party boasting Mr Virendra Kumar Saklecha is not the best advertisement for political purity.

The jokers in the Opposition pack of cards cannot say they have not been given a chance. They had their first chance after the 1967 elections, when they formed coalition Governments in several States in North India. Within a short time they were quarrelling with one other, jostling for personal power and pelf, and generally making it clear that they hated each other even more than they did Mrs Gandhi. The coalitions, predictably, collapsed, and in the next election of 1971 the voters gave an emphatic verdict on their incompetence. It was then Mrs Gandhi's turn to blunder. By declaring an emergency and pushing the Opposition leaders into jail, she created for the first time a sense of unity and purpose among them which had never existed before. And when the 1977 elections took place, this sense of unity and purpose was so much in keeping with the popular mood that she was swept out of office.

But the petty men that constituted the Janata Government soon made it clear that they had learned no lessons from the past. They did not appreciate or care that the people had voted for a particular idea. They had the arrogance to think that the voters had voted for them personally. Like the coalition State Governments of the 1960s, the Janata Party bickered and quarrelled itself into disintegration. Every faction and political leader was manoeuvring desperately to stab the other in the back. In the process they stabbed in the back the voters, who had elected them for quite a different purpose. The voters had their revenge in 1980, and Mrs Indira Gandhi was the beneficiary.

Even worse followed. The tattered remains of the Janata Party split and split again, and so did the Lok Dal. The comings and goings of so-called leaders soon became a matter of merriment. The BJP went into its own corner, shaken by the manner in which others had treated it like a pariah. The Janata Party decided at Sarnath that artificial unity was worse than no unity. Mr Charan Singh alone continued to be a strong advocate of unity, provided of course that he could lead the unified parties.

What has happened to make the Janata Party and Congress(S) change their minds ? The answer is, quite simply, that they want to get back into power, and they see that they cannot do so alone. And in this unending mania for power, they will sup with the devil if need be. They will pretend that policies and basic animosities count for nothing. So bereft are they of basic conviction and principles that expediency is all-important. They do not want to be principled voices in the wilderness. They want to be in power, and are not concerned about compromising on principles.

The Indian voter deserves a better Opposition. There is unrest aplenty, but it is channelled outside the framework of political parties (as in Assam or the farmers' agitations). Voters would like an alternative to Mrs Gandhi. But they do not seek it in the men of straw sitting on Opposition benches. They are looking for new leaders. When and how these will emerge, nobody knows yet.

Wheat Imports

THE RECENT purchase of 750,000 tonnes of wheat from Australia, raising the contracted imports so far to 2.3 million tonnes, has not come as any surprise. Aimed at having at least 10 million tonnes Central food stock by March-end and correcting to some extent the imbalance between the two constituents of this stock (rice and wheat) which has crept in since last year, these imports were absolutely necessary.

The Central stock has been eroded substantially since 1979-80 by large releases. The balance between rice and wheat in the stock has been upset by lean wheat procurement during the past two years and higher-than-normal outgo of this cereal under the food-for-work programme initially and in the drought-affected northern States in 1979-80. The anxiety of the Union Government to correct this imbalance to the extent possible is warranted. The interests of the vulnerable sections of society for cheap food have to be protected. Wheat obviously costs less than rice.

The Central stock as on November 1 aggregated to no more than 9.9 million tonnes. Although rice procurement this year has so far progressed well -4.44 million tonnes have been procured as against 3.7 million tonnes by this time last year- it is unlikely to exceed the 1978-79 level of 6.34 million tonnes. The final estimate of last year's crops put food grains production at 129.8 million tonnes, about three million tonnes less than the original expectations. On current reckoning in trade circles, this year's output may fall short of the target of 138 million tonnes by approximately four million tonnes. With monthly releases from the stock being around 1.25 million tonnes, rice procurement upto March would be significantly lower than the overall outgo from the stock. The stock, thus, would have been eroded faster had imports not been resorted to. In fact if the ensuing rabi crop, which is reported to be very promising at present, suffers setback for one reason or the other, some more imports may have to be contracted.

The resort to wheat import ought not be considered as a reflection on the endeavours at raising farm output. After all, rice exports during the six months to September-end have earned foreign exchange to as large an extent as Rs 119.94 crores. Over the year, they may yield around Rs 300 crores. The net outgo of foreign exchange on account of wheat imports will be only marginally higher.

Europe's Basket Case

THE DIE is cast in Poland. In declaring a state of emergency —with all that such a state entails—Mr Jaruselski has started a chain of events which is unlikely to make Poland a going concern. This is because Poland's problems are mainly economic and a clamp-down is not a perfect substitute for structural reforms.

Mr Jaruselski's fist has made contact only with the extremists in Solidarity. This may look reasonable. But it is not something which will please Mr Walesa and his substantial moderate following. The next step could well be a conversion of Mr Walesa to more extreme stands. This will help neither Solidarity nor Poland.

Basically, Poland has a problem of productivity, or more precisely, the lack of it. To this, Solidarity has no answer. The Poles want many things but are not really productive enough to earn those things. This has been compounded by the endearing bureaucratic style typical of communist economies. Add corruption and mis-management and what you have is Poland.

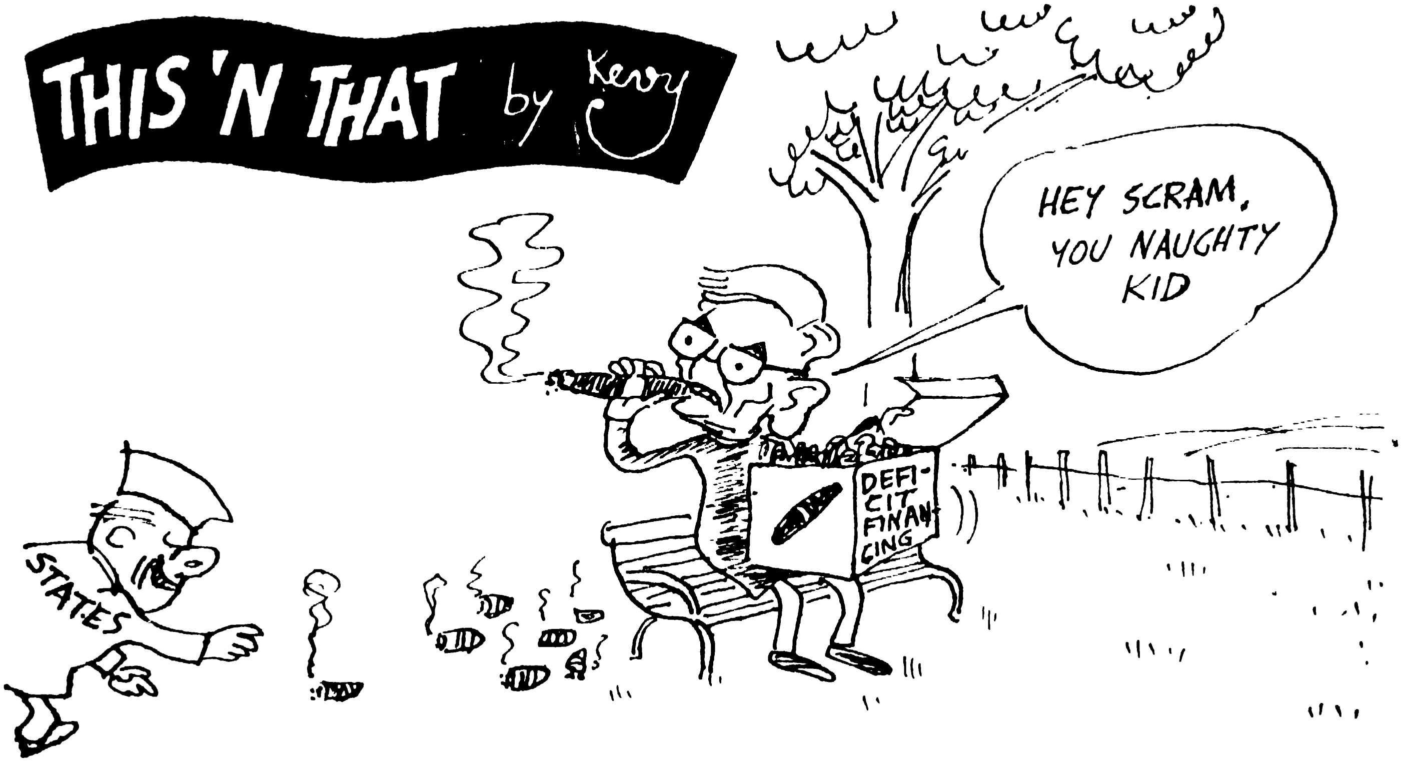
But what now? Will the Poles take things laying down or (having tasted the power of mass action) will they come out and resist? It is too early to say but one thing is certain. If they don't resist, there go their chances of getting themselves a say in things that matter. On the other hand, if they do fight back, the whole affair could turn bloody, with the probable outcome very similar to that in Hungary (1956) and Czechoslovakia (1968).

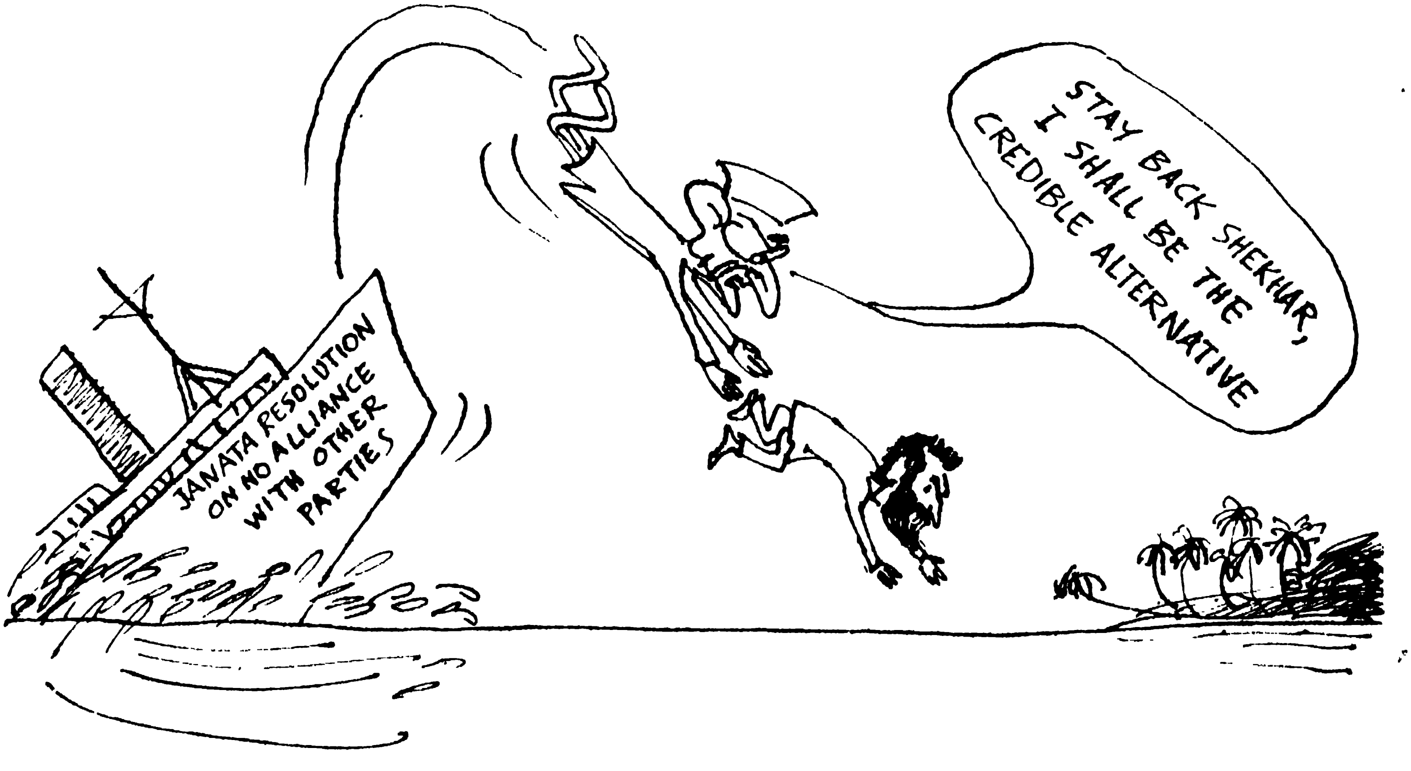
Actually, if the situation does deteriorate owing to widespread disturbances, the Polish authorities may "invite" the Warsaw Pact troops to come in and lend a hand. Never one to refuse such an invitation, the Soviet Union will gladly help. At this point, the Reagan administration will have to do something. This will probably be something along the lines of what it did when the USSR moved into Afghanistan.

But all this is some weeks in the future. More immediately, the whole world is going to watch Poland to see whether (a) Solidarity lives up to its name or (b) Mr Jaruselski's gamble pays off. If Solidarity decides to go for bust (as the strikes following the declaration of martial law suggest), the price could well be heavy one. On the other hand, if Solidarity decides to lie low for a while, it could gain some tactical advantage, and best of all, keep the Warsaw Pact troops out.

Ultimately, the Government and Solidarity will have to find a compromise. If Mr Jaruselski's move helps in bringing this about all the better for Poland. If not, the Poles are in for rougher times ahead.

THIS 'N THAT by Kevy




STAY BACK SHEKHAR, I SHALL BE THE CREDIBLE ALTERNATIVE
JANATA RESOLUTION ON NO ALLIANCE WITH OTHER PARTIES

Dry Thoughts

WHO'S afraid of a big bad wolf called Col. Gaddafi? Ronald Reagan. The American President is behaving exactly like a woman who jumps onto a chair and screams her head off at the sight of a rat. She would like observers to feel that a most dreadful agent of the devil is threatening her very life. But the observers want to laugh rather than sympathise. Crying wolf will not change a rat into a wolf. Perhaps it could be argued that a rat is as dangerous as a wolf. Rommel was called the Desert Rat long before Col. Gaddafi could lay claim to such a title. And Rommel did attempt to assassinate Hitler. But he failed. And if indeed Gaddafi is trying to kill Ronald Reagan, he is even less likely to succeed than John Kennedy was in trying to assassinate Fidel Castro.

Narcissus before a mirror stood entranced. Caliban before a mirror stands outraged. Libya is a mini-mirror reflection of the USA in foreign policy tactics, and this outrages the USA. Gaddafi had declared that he is the leader of the Arab world, whether other Arabs like it or not. This is similar to the USA claiming to be leader of the free world, whether it likes it or not. Gaddafi believes in buying off presidents and generals in Africa with his oil-gotten gains, just as the USA has long done the world over with ill-gotten gains. Gaddafi reserves the right to try and topple regimes hostile to him, just as the USA has sought to destabilise regimes it disliked. Gaddafi has indulged in assassination as part of his political weaponry, a philosophy close to the heart of the CIA. Gaddafi has sent his armies across to Chad to intervene in a civil war, just as the USA has often done in the past. He has discovered in Chad that installing his man in another country is no guarantee that the man will remain subservient to him after installation, as the USA has frequently discovered too. Gaddafi has found that heads of Government whom he converted to Islam by promises of money soon reverted to Christianity, just as the USA has found that Third World countries are liable to first accept dollars and then burn the local US Embassy. Libya is a regional power that believes in using its muscle, just as the USA is a superpower that flexes its biceps. Gaddafi is a regional bully, whereas the USA is a super-bully. And one thing that a super-bully cannot stand is a regional bully muscling in on his territory. Both the super-bully and regional bully swear by sacred principles, both believe that God is on their side, both believe they have a mission in life which cannot be confined to their own shores. There is nothing that enrages a Messiah quite as much as a rival Messiah. And this, in a nutshell, is why Gaddafi and Reagan are daggers drawn.

The USA would like us to believe that Gaddafi is "the most dangerous man in the world." This is uncharacteristic modesty: surely the American President has a much better claim to this title, not to mention Comrade Brezhnev. The power wielded by a super-bully dwarfs into insignificance the influence of a regional bully. Libya is a country of barely 2.4 million with a male workforce of just 600,000. It is so short of manpower that it cannot man even its own Government Secretariat, which is full of (bravo) Palestinians and (horror of horrors) Egyptians. For the job of cleaning the streets of Tripoli, the Libyan Government floated an international tender, which was won by a South Korean firm, which then hired local Libyans to do the job. A Colonel who needs foreigners to help him organise his own sweepers cannot be labelled the most dangerous man in the world.

Quite possibly Gaddafi thinks it a good idea to kill Ronald Reagan. But he probably thinks it an even better idea to kill Menachem Begin, Ariel Shaaron, and every Zionist in the world. If indeed he were to draw up a list of priorities, I suspect that Prince Fahd would figure higher on his hit list than Ronald Reagan as the Saudi Crown Prince has been far more abusive about him than the American President, and is the most infuriating personal evidence that Gaddafi is not the leader of the Arab world. There is little question that, from a purely practical viewpoint, it would be easier to assassinate these other bete noirs than the American President. As long as these lesser targets remain unscathed, Ronald Reagan should feel safe.

The man who should really be feeling unsafe is Col. Gaddafi. Assassination is not a one-way street, and it would be simpler for the CIA to arrange for Gaddafi's death than for the Colonel to plot Reagan's. The hysteria being whipped up in the USA looks comical; but could it have an ulterior motive? The withdrawal of all Americans from Libya on the ground that they are unsafe has been described by some as panicky. But it would be good sense and not panic if the USA intended, on its own or through Egypt, to cut Gaddafi down to size by military means. For the first time since 1974, the USA (and the world) can afford to do without Libyan oil, thanks to the global oil glut. On an earlier occasion, President Carter dissuaded Anwar Sadat from an excursion into Libya mainly to safeguard oil supplies. That safeguard is no longer necessary. It would be irresponsible for me to suggest that President Reagan is actually thinking along these lines. But I am sure the CIA is. That is the kind of thing it is paid to do. And it is quite possible that an adventure to topple Gaddafi will be popular in Africa. The Colonel has antagonised every neighbour in sight by his loud-mouthed bullying.

—Swaminathan S. Aiyar

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Towards Permanent Economic Pregnancy ?

Swaminathan S. Aiyar

ARE WE getting more inefficient day after day? That is the gloomy question which arises from the figures compiled by our Statistician, Mr P. Vaidyanathan. These show that the incremental capital-output ratio has risen inexorably decade after decade. In the 1950s, one rupee of gross fixed investment yielded 27 paise output. In the 1960s, the yield fell to 21 paise. And in the 1970s, one rupee of gross fixed investment yielded only 16 paise of output. In the words of Dr Freddie Mehta, we have become experts in pushing in an elephant at one end and producing a mouse at the other. We were first told by Dr Mahalanobis in the 1950s that we must temporarily put up with a high capital-output ratio in order to build the sinews of heavy industry, and that the ratio would fall later on as downstream units came up. Instead the ratio continued to rise, and were then told that this was because of large irrigation projects with long gestation periods. Now we are told that it is necessary to invest heavily in infrastructure, which also has a long gestation period. Is the Mahalanobis prediction of a falling rate a mirage ?

Long Gestation

There is no shortage of economists who will argue that we must go in for all these essential long-gestation investments, and must not get upset by a temporary rise in the capital-output ratio. But after 30 years of rising ratios, it no longer seems like just a temporary gestation problem—it is beginning to look suspiciously like permanent pregnancy.

Dr S. Gupta and others have argued (EPW, September 26, 1981) that in fact the ratio is getting better, not, worse, and that predictions of doom are unfounded.

Their calculations show that the ratio at market prices rose steadily from 3.53 in the First Plan to 6.26 in the Fourth, but then fell to 4.21 in the Fifth Plan and is expected to fall further to 4.2 in the Sixth Plan. Dr Gupta admits that this happy picture is really a distorted one, as both the Fifth and Sixth Plans are characterised by very bad base years and very good final years where output is concerned. When adjusted for this bias, he says, the ratio rises to 4.7 in the Sixth Plan. But even this is very respectable compared to the Fourth or Third Plan. Does this mean that we are over the hump ?

Different Story

Dr Gupta's figures are at variance with our own, which point in a quite different direction. Indeed, his overall ratio for the Sixth Plan does not seem to square even with his own sectorwise break-up. The latter puts the ratio for agriculture at 4.75, manufacturing 6.91, construction 1.27, electricity and gas 34.34, and transport and communications 11.10. How on earth can this combination give an average of 4.2 ? It would seem that the combination will come much closer to the 6.39 calculated by our Statistician. There are differences in the two methodologies. Our figures take only fixed investment into account, not total capital formation. They are also adjusted for errors and omissions in the national income statistics. Both these corrections seem logical, and a better guide to the truth than bald aggregate ratios.

A separate study by Kripa Shankar in the *Occasional Papers* of the RBI seems to confirm the trend of worsening capital-output ratios. This study suggests that all ratios get worse when we take ratios at current prices rather than constant prices, a finding that is confirmed by Dr Gupta. Investment costs are rising faster than output costs, partly on account of administered prices for the output of several goods at artificially low levels. This latter tendency has been corrected substantially this year, with hefty increases in prices of coal, steel, oil and electricity. But railway fares, kerosene, irrigation and betterment levies, and rural power continue to be very cheap, apart from the hefty subsidies for cereals and fertilisers.

Obvious Culprit

Where is inefficiency the worst ? The public sector seems an obvious culprit. The capital-output ratio is rising fastest in electricity, mining and quarrying, which are dominated by the Government sector. The ratio for major irrigation is major (and for minor irrigation is minor). With the public sector gaining the commanding heights of the economy, we have an inefficient commander whose inefficiencies place their stamp on every part of even the private sector. I asked a Tata executive last year what he thought was the biggest single problem facing the private sector. He answered, "The public sector." When the public sector controls power, transport, coal, steel, ports, banks and all the main pillars of the economy, there is no way in which the private sector can be efficient. If the public sector doesn't work, the private sector can't either.

All this is old hat. But it needs to be said that criticism of the public sector has perhaps been overdone. A look at the national income statistics suggests that some of the worst culprits are in the private sector.

Our own statistics show a horrendous trend in unregistered manufacturing. The ratio for this sector rose from just 1.52 in the 1950s to 5.15 in the 1960s and 5.36 in the 1970s. The share of this sector in total investment has trebled, from 2.26 per cent in the 1950s to 7.4 per cent in the 1970s. It is possible that this reflects capacity set up just to get quotas of scarce raw materials, which are then resold at a profit instead of being processed. It may also reflect black production—output concealed in order to evade excise duty and income tax. But this does not seem to be the full picture.

It is necessary to link this phenomenon with the phenomenal rise of the household sector in the 1970s, in terms of both savings and investments. The household sector includes all unincorporated concerns, and this is where savings have been rising fastest, confounding the experts. In 1979-80, household savings amounted to Rs 13,355 crores at current prices out of the total net savings of Rs 16,378 crores.

Even more remarkable is the performance of this sector in investment. The household sector investment in machinery and equipment in 1979-80 was Rs 3,916 crores, more than double the entire investment in the corporate and cooperative sector, and higher than the Rs 3151 crores of the public sector. It is worth noting that just two years previously, in 1977-78, the public sector's Rs 2918 crores was much higher than the household sector's Rs 2292 crores.

Remarkable Progress

Having said this, one must confess that it is all rather mysterious. What is all this equipment and machinery that is being bought by the small man? Why is it not being reflected in output? We have long been told that money invested in small enterprises gives quicker and higher yields than money invested in the public sector. Why is this not showing up in the total ratios? The K. N. Raj Committee has been appointed to go into the mysterious explosion of savings, and we must await its findings. One cannot help entertaining the suspicion that something has gone wrong with the statistics, and that the figures for household savings and investment have inadvertently been inflated. If this turns out to be the case—which is far from certain—it will mean that the capital-output ratio is rather better than I have given it credit for.

Better Performance

The public sector controls a big chunk of registered manufacturing. But this sector has performed reasonably well. Its ratio went up from 7.0 in the fifties to 8.1 in the sixties and down again to 7.0 in the seventies. However, it needs to be said that in virtually any industry where the private and public sectors compete—fertilisers, power, paper—the former seems to do much better.

There is going to be far more investment in the Sixth Plan in power than in manufacturing. This is a capital-intensive sector in any country. But it is depressing that the ratio for power has deteriorated steadily from 15.99 in the fifties to 17.34 in the sixties, 20.12 in the seventies, and projected by Dr Gupta to soar to 34 in the Sixth Plan. Slippages in power projects have ranged from 33 to 52 per cent in successive Plans. And even when projects are completed, they work far below capacity.

Major irrigation projects have proved to be an even worse disaster. According to Mr B.B. Vohra, the waterlogging and salinity caused by unlined irrigation canals has cancelled most of the positive effect of irrigation. The classic case is the Kosi Barrage, where grain output actually fell in the first few years after the completion of the project. For the modern farming sector, Dr Malcolm Adiseshiah has calculated that the capital-output ratio is 5.5—very high by traditional standards but not surprisingly at all by Western standards, where farming is a capital-intensive business. It would seem that the ratio can be brought down substantially by stressing skills rather than investment. If anybody built a steel plant but did not train the steel workers, he would be considered mad. Yet in India we invest enormous amounts in irrigation, and just presume that millions of illiterate farmers will know how to use irrigation facilities and complementary inputs. The imparting of farming skills is a sorely neglected subject. The Benor scheme aims at rectifying this. Dr Benor, a World Bank expert, showed that yields could be increased by 25 to 40 per cent simply by a continuous monitoring of farmers to make sure they actually followed recommended agricultural practices. It would take enormous quantities of capital investment to achieve similar results. We have wasted capital in agriculture by neglecting extension, and if we remedy this the capital output ratio can be brought down significantly.

Infructuous Investment

Mining and quarrying is a sector where the ratio has shot up from 2.72 in the fifties to 15.89 in the seventies. This reflects in part the infructuous investment in coal mines after nationalisation. But it also reflects the huge expenditure on oil exploration after the energy crisis. Any ratio which neglects the rise in oil prices since 1973 is misleading. The ONGC is now drilling wells at great cost, many of which will yield nothing at all, but this bold strategy (with a poor ratio) is far preferable to the old strategy of playing safe, which resulted in a good capital-output ratio but few fresh discoveries of oil.

The one area where the capital-output ratio has come down with a bang is in public administration and defence, where it has fallen from 10.14 in the fifties to 4.08 in the seventies. Alas, this represents less efficiency, not more. All salaries paid to Government employees are deemed to be their output a statistical interpretation which can only be called hilarious. The fall in service standards all round is totally ignored. We have a bureaucracy increasing at a mindless pace, which is more concerned with its own expansion and the earning of overtime than serving the community.

What of the future ? Will the capital-output ratio keep deteriorating ? Will economic pregnancy get longer and longer ? Is there no point at which we will finally achieve the hope of Mahalanobis ?

Dr Gutpa and others believe that we were already over the hump in the 1970s. It does not seem so to me. But I think the eighties may well witness a falling ratio. I believe that inefficiency has finally become so evident that it can no longer be hidden under ideological protestations that the public sector is not meant to make profits. The cash squeeze on the Government has finally worked. And the new policy directions discernible will tend to reduce at least some of the excesses of the system.

The earlier obsession with the maximisation of indigenous equipment and know-how had played havoc with schedules. The Heavy Engineering Corporation has never delivered any major equipment on schedule, the usual delay being three to six years. The P and D division of the Fertiliser Corporation took on a monopoly of new fertiliser plants in the Fifth Plan, and all of them went years off target. The Bokaro Steel Plant agreement was signed in 1966, but it has yet to attain full capacity. Huge sums invested in deep coal mines have ended with falling instead of rising output.

Fortunately, we are now tired of public sector excuses, and are heading for more efficient ways. The turnkey contract for the Paradip Steel Plant means that the plant will be built in four years and not ten. The induction of foreign consultants has cut the investment period for fertiliser plants drastically in the Fifth and Sixth Plans. The induction of the best imported technology in place of second rate indigenous designs has starved public sector white elephants (like the MAMC) of orders but greased the wheels of progress. The big new open-cast coal mines are turning out to be highly productive, and the new generation of longwall cutting machines should increase underground coal productivity too. The spadework for Bombay High is mostly done, and output is scheduled to rise by leaps and bounds in the next few years. The public sector paper plants which we have only heard about for years are actually being commissioned. The design of irrigation canals has been improved, and they are increasingly being lined so that they do not cause waterlogging. The computerisation of the Railways will enable far more effective use of line capacity, though investment (and hence the ratio) will have to go up in this sector in the eighties because of gross neglect in the seventies. The export drive to pay our oil bills means that larger sections of industry will have to become internationally competitive, and liberal imports are acting in the same direction. In many capital industries we have finally mastered the learning curve and have increased productivity.

Thus there are several factors which will make for better efficiency in the eighties. This does not mean at all that India will become efficient in any absolute sense. That is impossible, given the fact that there is no lobby for productivity while there are very powerful lobbies for rentier interests interested in making a quick buck out of shortages. Our public sector is seen as a means of making money and extending patronage by our political overlords. There is a strong antipathy to independent institutions, and political interference in day-to-day matters is routine. Efficiency in these circumstances is impossible. But we can at least take some comfort that the worst excesses of the past will be avoided.

More Capital, Less Output

T. C. A. Srinivasa-Raghavan

OF LATE, the capital output ratio in the Indian economy has drawn a lot of attention. While the studies on this subject differ on details, their overall results show that the ratio has been rising continuously over the last thirty years. This is perhaps inevitable in the initial stages of development when massive investments are made in infrastructural and basic industries which are characterised by long gestation periods. In a large measure, this is what has happened in India. The massive investments in steel, power, railways, irrigation etc. were all made from the late fifties onwards and this resulted in the ratio going up. (The only exception was during the Fifth Plan when the ratio actually declined, owing partly to the selection of base and end years--1973-74 was an exceptionally bad year while 1978-79 was an exceptionally good one).

What are the reasons for this ?

The first explanation relates to the economic philosophy adopted in this country. In going for self-sufficiency via import substitution, India may have moved up on the learning curve—third largest technical and scientific pool, etc.—but it has simultaneously moved down on the efficiency curve. While we were learning, capital was being utilised inefficiently for the simple reason that until we had learnt how to use that capital efficiently, inefficiency was unavoidable. The second (related) explanation is the thinness of the resource spread. In opting to build everything ourselves in the shortest possible time, attention to (and planning of) micro details was inadequate, partly due to ignorance and partly due to excessive preoccupation with macro level physical targets. The third—flowing from the first two—relates to the extraordinary delays in completion of projects (witness Bokaro and Bhilai expansion to name just two instances). These delays are inherent in our system, which brings up the fourth explanation—institutional arrangements for decision-making. These have become cumbersome and highly centralised in the administrative ministries. And so to explanation number five (which takes us back to square one): long gestation periods. Basic and infrastructure industries have long gestation lags to start with. To this has been added the delays mentioned above which have served to increase the lag.

Along with these five major reasons, there have been two contributory factors. First, labour indiscipline and poor management and the resultant non-or-poor use of machines. Second, the system of administered prices which has kept the output prices out of alignment with current costs of capital. One has led to under-utilisation of capacity and the other to depressing the value of such output as is produced relative to the cost of capital then obtaining. The net result has been an inefficient use of capital, a luxury that a capital scarce country can ill-afford.

An Overview

In this overall perspective, consider some examples given in the tables provided by our Statistician, Mr P. Vaidyanathan. Table I gives an overview of the economy as a whole. Whatever the measure, the incremental capital-output ratio has gone up. Since, by itself, this tells us very little, consider Table II which also gives the pattern of investment during the entire plan period.

Start with agriculture. Its share in total investment has gone down. During each Plan period, the bulk of the investment in agriculture has been in large irrigation projects as opposed to small and medium ones. Look now at the incremental capital-output ratio (ICOR) for agriculture. The periods taken are longer, being ten years instead of the five that makes up a Plan. During the fifties, the ICOR was 2.05. It went up to 2.86 in the sixties and again up to 4.18 in the seventies. This sharp rise is directly attributable to the low productivity of the investment in irrigation. Precisely why this should be so is not clear but implementation delays probably have a lot to do with it. An examination of the progress reports of irrigation projects will bear out this view. The neglect of extension schemes has also cost us a lot. Nurkse's demonstration effect is not necessarily confined to consumption patterns alone.

Mining Sector

Next, take mining and quarrying. After being relatively low and steady till the Fifth Plan, the share of this sector in total investment shot up to 3.87 per cent. This was largely owing to the heavier investment in coal mining (after the nationalisation of 1973) and oil exploration (after the first oil crisis of 1974). Correspondingly during the seventies the ICOR also shot up to 15.89 from just 2.72 in the fifties and 7.28 in the sixties. Where coal is concerned, there is enough evidence to show a gross under-utilisation of capital, thanks mainly to the labour situation in the coal belt.

In oil, the situation is less simple. Drilling costs run to several crores and unless oil comes out in commercially viable quantities, the money goes down the tube, pushing up the ICOR. But once oil does come out in sufficiently large quantities, the value of the output—thanks to OPEC—is sufficiently large to depress the ratio. (Despite the risks that disaggregation entails, it would be interesting to see the ratios separately for oil and coal).

Move on now to the manufacturing sector. The share of this sector in investment has gone up steadily to a little over a quarter. During the entire period 25.49 per cent of total investment was accounted for by this sector. Look now to the ICORs. It was 5.09 in the fifties, 7.34 in the sixties (reflecting the money spent on the basic and infrastructural industries) and 6.45 in the seventies. The ratio has remained far higher than the ideal around 2.5 or 3. Until the Fifth Plan the Planning Commission had been sanguine in assuming a ratio of about 3 or 3.5. Since the Fifth Plan it has shed itself of the illusion and now operates on a ratio of 4 or 4.5. As can be seen, even this is unrealistic.

Sharp Deterioration

Come now to electricity, gas and water supply whose share too has gone up. The bulk of investment in this is accounted for by electricity. The ICOR has moved as follows—Fifties: 15.99; Sixties 17.34; and Seventies 20.12. Power generation is necessarily capital intensive and involves a high ICOR. The ratio during the fifties and sixties was quite respectable, really, but during the seventies there has been a sharp deterioration due to the inefficiencies of the State electricity boards which seem to be in a class by themselves. Other factors such as second rate equipment, faulty maintenance, political pressures too may have contributed in a fair measure.

In the transport sector a marked trend is noticeable. After the third Plan, the share of railways dropped sharply from 9.0 to just 2.52 per cent in the Fifth Plan. This has been reflected in the ICOR which came down equally sharply in the seventies (from 19.64 to 9.84). This lower ICOR does not imply more efficiency in the railways, witness other indicators such as the volume of originating traffic which has not grown as rapidly as might be desired. The railways have been unable to generate a surplus for investment partly due to the tariff structure which is not based on strictly commercial considerations and partly owing to their own inefficiencies. The low ICOR thus gives very cold comfort.

Should this state of affairs cause much concern ? The answer is: it depends. You may happen to believe that excessive preoccupation with the capital-output ratio will exert the wrong kind of pressures on the structure of investment. But, on the other hand, if you are concerned with long term trends which are indicative of the shortcomings in the economy, capital-output ratios are perhaps the best indicators of what is going on and how well it is going on.

In one sense, the first view is right. Constant harping on inefficient use of existing investments could lead to emphasis on consolidation instead of expansion. The point, however, is that the two are not mutually exclusive. India needs both. There is another thing. These investments are financed by murderous taxation and foregone consumption. Surely the people are entitled to a better management of the investments that they are financing. Why should generation after generation make sacrifices for a future which will remain black ? A high ratio for 8 or 10 years as Dr Mahalanobis predicted—or even 15 years might be tolerable. But 20 years ? And rising at that ?

In any discussion of capital-output ratios two distinct questions have to be kept in sight. First, is the ratio high because money has been invested wrongly i.e. has there been a mis-allocation of (limited) resources ? Second, are the investments being managed properly not only in the narrow project sense but in the overall macro sense? In other words, if a decision to develop the steel industry has been taken—rightly or wrongly—then are the sectors responsible for complementary products also being developed in step; is the right kind of labour and managerial telent available; is the system of economic administration compatible with such investments; and so on. It is too late now to do anything about the first type of problem because we are already embarked on a certain strategy of growth. But the second aspect really relates to medium term policies and is certainly open to adjustment.

Capital-output ratios are important for planners too. Resource allocations are made on certain assumed values of these ratios. If the assumed value is consistently lower than the one actually obtaining, planning becomes infructuous. For example, if you assume that by investing Rs 12 you will get one more unit of electricity and in practice you can get that additional unit only by investing Rs 20, where are you going to get that extra Rs 8 from? So far, the practice seems to have been (depending upon the current priorities), to take it from some other sectors or project, knocking out of shape the interlinkages in the economy and increasing delays and bottlenecks at some future date. The star example of this is the railways. We stopped investing in it during the seventies and look what is happening now. Slackness here has hit both the power and the steel sector with wide repercussions on the entire economy. Failure to invest in the railways has also slowed down the demand for engineering products of which the railways are a major buyer. And finally, the domestic market has not been opened up to the extent otherwise possible.

All these problems are known and solvable. But till such time as India has a political structure which is guided by expediency rather than sound economic considerations it looks as if we will have to live with inefficiency. The least we can do, given the circumstances, is to ensure that the rot does not spread further.

TABLE I

Incremental Capital : Output Ratios in the Indian Economy : 1951-52 to 1979-80

(At Constant 1970-71 Prices) (Amounts in Rs crores)

Sl No	Item	1951-52 to 1960-61	1961-62 to 1970-71	1971-72 to 1979-80	1951-52 to 1979-80
1.	**Domestic Capital Formation* (DCF)**				
	(a) Gross	32,460	58,205	81,254	171,919
	(b) Net	23,020	40,856	57,745	121,621
2.	**Domestic Fixed Capital Formation*(DFCF)**				
	(a) Gross	29,376	52,112	68,549	150,037
	(b) Net	19,936	34,763	45,040	99,739
3.	**Incremental Domestic Product** (at Factor Cost)				
	(a) Gross	7,998	11,202	10,735	29,935
	(b) Net	7,562	10,159	9,873	27,594
4.	**Incremental Capital : Output Ratio**				
	(a) GDCF*/GDP	4.06	5.20	7.57	5.74
	(b) GDFCF*/GDP	3.67	4.65	6.39	5.01
	(c) NDCF*/NDP	3.04	4.02	5.85	4.41
	(d) NDFCF*/NDP	2.64	3.42	4.56	3.61

*Adjusted for Errors and Omissions.

Source : *National Accounts Statistics* (Various issues) published by the Central Statistical Organisation, Department of Statistics, Ministry of Planning, Government of India.

TABLE II

Incremental Capital : Output Ratios (ICOR) in the Indian Economy, by Industries/Sectors: 1951-52 to 1978-79

(Since the Commencement of Planning Era till date, by Decades)

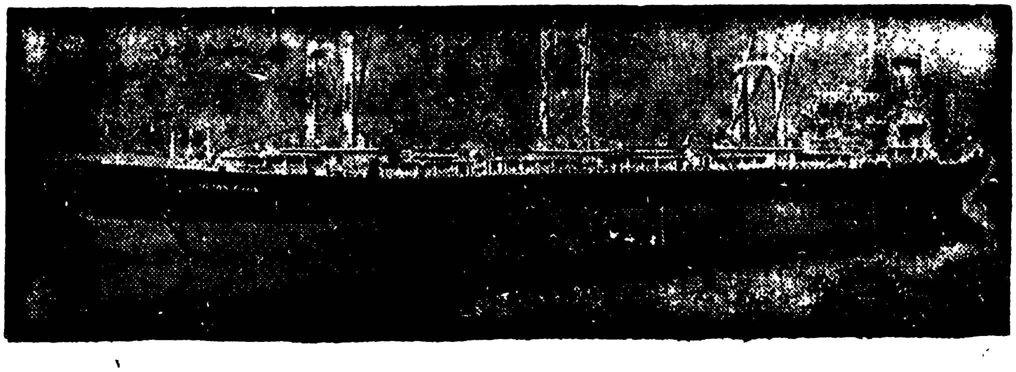
Sl No Industry/Sector	Gross Domestic Capital Formation (GDCF) (At Constant 1970-71 Prices) (Rs crores)			Incremental Gross Domestic Product (GDP) at Factor Cost (At Constant 1970-71 Prices) (Rs crores)			Incremental Capital-Output Ratio (GDCF/Incremental GDP)		
	1951-52 to 1960-61	1961-62 to 1970-71	1971-72 to 1978-79	1960-61 over 1950-51	1970-71 over 1960-61	1978-79 over 1970-71	1951-52 to 1960-61	1961-62 to 1970-71	1971-72 to 1978-79
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8) = $\frac{2}{5}$	(9) = $\frac{3}{6}$	(10) = $\frac{4}{7}$
1. Agriculture	6,935	9,680	12,934	3,391	3,383	3,096	2.05	2.86	4.18
	(21.36)	(16.63)	(18.23)	(42.40)	(30.20)	(23.84)			
2. Forestry and Logging	68	181	216	55	133	106	1.24	1.36	2.04
	(0.21)	(0.31)	(0.30)	(0.69)	(1.19)	(0.81)			
3. Fishing	362	427	428	73	68	84	4.96	6.28	5.10
	(1.12)	(0.74)	(0.60)	(0.91)	(0.60)	(0.65)			
4. Mining and Quarrying	288	1,019	2,272	106	140	143	2.72	7.28	15.89
	(0.89)	(1.75)	(3.20)	(1.32)	(1.25)	(1.10)			
Primary: (Total: 1 to 4)	**7,653**	**11,307**	**15,850**	**3,625**	**3,724**	**3,429**	**2.11**	**3.04**	**4.62**
	(23.58)	**(19.43)**	**(22.33)**	**(45.32)**	**(33.24)**	**(26.40)**			
5. Manufacturing	7,055	15,321	18,822	1,385	2,088	2,918	5.09	7.34	6.45
	(21.74)	(26.32)	(26.53)	(17.32)	(18.64)	(22.47)			
5.1 Registered	6,322	12,539	13,572	903	1,548	1,939	7.00	8.10	7.00
	(19.48)	(21.54)	(19.13)	(11.29)	(13.82)	(14.93)			
5.2 Unregistered	733	2,782	5,250	482	540	979	1.52	5.15	5.36
	(2.26)	(4.78)	(7.40)	(6.03)	(4.82)	(7.54)			
6. Construction Enterprises	818	1,590	1,351	399	814	589	2.05	1.95	2.29
	(2.52)	(2.73)	(1.90)	(4.99)	(7.27)	(4.54)			
7. Electricity Gas and Water Supply	1,455	4,837	6,397	91	279	318	15.99	17.34	20.12
	(4.48)	(8.31)	(9.02)	(1.14)	(2.49)	(2.45)			
Secondary (Total: 5 to 7)	**9,328**	**21,748**	**26,570**	**1,875**	**3.181**	**3,825**	**4.97**	**6.84**	**6.95**
	(28.74)	**(37.36)**	**(37.45)**	**(23.45)**	**(28.40)**	**(29.46)**			
8. Transport, Storage and Communication	4,349	7,590	7,545	468	766	1,060	9.29	9.91	7.12
	(13.40)	(13.04)	(10.63)	(5.85)	(6.84)	(8.16)			
8.1 Railways	2,681	3,595	2,047	158	183	208	16.97	19.64	9.84
	(8.26)	(6.18)	(2.88)	(1.97)	(1.63)	(1.60)			
8.2 Transport by other means and Storage	1,437	3,421	4,571	254	466	699	5.66	7.34	6.54
	(4.43)	(5.88)	(6.44)	(3.18)	(4.16)	(5.38)			
8.3 Communication	231	574	927	56	117	153	4.13	4.91	6.06
	(0.71)	(0.98)	(1.31)	(0.70)	(1.05)	(1.01)			
9. Trade, Hotels and Restaurants	1,556	2,152	6,165	970	1,623	2,165	1.60	1.33	2.85
	(4.79)	(3.70)	(8.69)	(12.13)	(14.49)	(16.67)			
Transport, Communication and Trade (Total: 8+9)	**5,905**	**9,742**	**13,710**	**1,438**	**2,389**	**3,225**	**4.11**	**4.08**	**4.25**
	(18.19)	**(16.74)**	**(19.32)**	**(17.98)**	**(21.33)**	**(24.83)**			
Total : 1 to 9	**22,886**	**42,797**	**56,130**	**6,938**	**9,294**	**10,479**	**3.30**	**4.60**	**5.36**
	(70.81)	**(73.53)**	**(79.10)**	**(86.75)**	**(82.97)**	**(80.69)**			

Contd.

1	2	3	4	5	6	7	8	9	10
10. Banking and Insurance	109	231	328	174	322	660	0.63	0.72	0.50
	(0 34)	(0.40)	(0.46)	(2.17)	(2.88)	(5.08)			
11. Real Estate, Ownership of Dwellings and Business Services	5,619	9,046	8,729	199	500	367	28.24	18.09	23.78
	(17.31)	(15.54)	(12.30)	(2.49)	(4.46)	(2.83)			
Finance and Real Estate (Total: 10+11)	**5,728**	**9,277**	**9,057**	**373**	**822**	**1,027**	**15.36**	**11.29**	**8.82**
	(17.65)	**(15.94)**	**(12.76)**	**(4.66)**	**(7.34)**	**(7.91)**			
12. Public Administration and Defence	2,982	4,614	4,567	294	866	1,118	10.14	5.33	4.08
	(9.18)	(7.93)	(6.44)	(3.68)	(7.73)	(8.61)			
13. Other Services	864	1,517	1,204	393	220	363	2.20	6.90	3.32
	(2.66)	(2.60)	(1.70)	(4.91)	(1.96)	(2.79)			
Community and Personal Services (Total 12+93)	**3,846**	**6,131**	**5,771**	**687**	**1,086**	**1,481**	**5.60**	**5.65**	**3.90**
	(11.84)	**(10.53)**	**(8.14)**	**(8.59)**	**(9.69)**	**(11.40)**			
Total : 10 to 13	**9,574**	**15,408**	**14,828**	**1,060**	**1,908**	**2,508**	**9.03**	**8.08**	**5.91**
	(29.49)	**(26.47)**	**(20.90)**	**(13 25)**	**(17.03)**	**(19.31)**			
Tertiary (Total : 8 to 13)	**15,479**	**25,150**	**28,538**	**2,498**	**4,297**	**5,733**	**6.20**	**5.85**	**4.98**
	(47.68)	**(43 21)**	**(40.22)**	**(31.23)**	**(38.36)**	**(44 14)**			
14. Total All Sectors/Industries (=Economy as a whole) (Total : 1 to 13)	**32,460**	**58,205**	**70,958**	**7,998**	**11,202**	**12,987**	**4.06**	**5.20**	**5.46**
	(100 00)	**(100.00)**	**(100.00)**	**(100.00)**	**(100.00)**	**(100.00)**			

Note: Figures in parentheses represent the percentage share of the relevant industry sector in the total GDCF/Incremental GDP during the specified period.

Source: *National Accounts Statistics* (Various Issues) Published by the Central Statistical Organisation, Department of Statistics, Ministry of Planning, Government of India.



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A Time for Rainfed Agriculture—II

Dr L. D. Swindale

In his Coromandel Lecture delivered on December 10, 1981, Dr L.D. Swindale, Director General of the International Crops Research Institute for the Semi-Arid Tropics, dwelt at length on the subject of getting increasing returns from rainfed farming. The first part of the lecture was published in our issue dated December 11, 1981. The second and the final instalment which deals with the adoption of a package of practices for achieving a four per cent growth rate in cereal production is given below.

THE STEP-wise or piecemeal adoption of a package of practices commencing with a combination of improved seeds and fertilizers will enable the spread of modern agriculture and higher production throughout the rainfed areas. Where the lead practices are already in use, or in well-favoured locations it is possible to consider adopting a full package of proven practices. Although the total effort required to convince the farmer to use such a package is greater, the benefits are correspondingly larger.

One technology that appears to be ready for adoption on a wider scale is the rainy season use of millions of hectares of deep Vertisols that currently are farmed only in the post-rainy season.[1] A technology developed at ICRISAT and tested in the research station at an operational scale over the last seven years has been moved this year into pilot-scale testing in farmers' fields. The technology is bullock-powered and based upon the concept of the small watershed as the basic resource management unit. It appears well-suited to the deep Vertisols with annual average rainfall between 750 and 1200 mm, that is, to vast areas of soils in the States of Madhya Pradesh, Maharashtra, Andhra Pradesh and Karnataka. Cooperative and independent research by ICAR and University scientists give results that agree in many respects with those achieved at ICRISAT. The possibility of utilizing this technology in whole or in part appears to be recognized in the Sixth 5-Year Plan which refers (paragraph 9.30, page 103) to increasing agricultural production in rainfed lands on a watershed basis in areas with annual average rainfall between 750 and 1125 mm.

For on-farm verification of the technology we have been working with farmers in the village of Taddanpalle, 40 km north of ICRISAT in Medak District. It has the right soils, slopes, and rainfall. The farmers after some initial hesitation agreed to cooperate with us even though it meant substantial changes in their manner of farming and some changes in other aspects of their lives. The farmers are very poor in this village but, they agreed to pay virtually all the costs and do virtually all the work that was needed to test the technology. Where they needed financial help, the State Department of Agriculture assisted them in finding it, either through the banks or through existing Government channels. The research agencies — ICRISAT, ICAR, and APAU — agreed only to provide advice and some services, and ICRISAT agreed to compensate the farmers up to the normal level of their traditional yields if the experiment proved to be a failure.

In February of this year, after the traditional crop had been harvested, ICRISAT and State engineers surveyed the land and planned the watershed, leaving in place the property boundaries. The farmers did the land smoothing work with their own animals and equipment, but used the ICRISAT tool carrier behind their bullocks for most operations. The animals were rather weak, and because the traditional crop was harvested late, the soils were already quite hard. It did not take long for the farmers to get used to the equipment, but the beds and furrows were not well made — but no worse than the first ones we put in at ICRISAT in 1973.

Although the farmers were willing to install drainage ways on their own land they were not willing to work collectively to install the necessary community drains to connect the watershed to the existing main drain system. In consequence, in the very heavy rains in the early part of the year the watershed did not work properly and the lower parts of some fields were flooded. When the farmers saw this and saw how this did not happen at ICRISAT, we were able to persuade them to undertake the construction of the community drains. The State Department of Agriculture, through its existing soil conservation programmes, paid for their labour to put the drains in place. Since then, in a year where the rainfall has been 70 per cent above normal, there have been no further problems of waterlogging or drainage.

ICRISAT and the other research agencies recommended what crops would be best, but the farmers made their own choices. In consequence, on this 15 hectare watershed with

14 farmers we have eight different crop combinations. With one exception, the crops have done well and far exceed anything else for miles around. Not surprisingly, there have been some problems. The farmers are not used to growing crops during the rainy season, nor are they used to obtaining such high yields. Threshing and storage are new problems for them, accentuated in this very wet year because it has not been possible to dry the grain on the head in the field.

Average yields on the 23 separate fields — some farmers divided their fields to try different crop combinations — have been 2,000 kg/ha for sorghum grain, 7,576 kg/ha for sorghum dry fodder, 1,737 kg/ha for maize grain, 3,561 kg/ha for maize dry fodder and 490 kg/ha for mung bean. Much of the crop will be sold this year but some will be consumed within the village. Based on market prices, farmers have already covered their direct costs including the cost of land smoothing and shaping and have made a profit. And they still have the post-rainy season crop to come. Most of the adjoining farmers, having fallowed their land in accordance with traditional practice, have as yet reaped neither food nor income.

The Stability Question

The erratic nature of rainfall always makes rainfed farming a risky business. The farmer is well aware of this, indeed he seems preoccupied by it. He tends to plan for the bad year.

There is ample evidence to show that the increased yields that come with the use of improved seeds are accompanied by increased fluctuations around the mean. Although the absolute variability is thus increased, the relative variability is reduced because of the higher average yields obtained. This increased variability — or instability — certainly worries the economist. Does it worry the farmer, and if so, what should he do about it?

No doubt the farmer is concerned about risk. His is a very risky life, but we now know that he does not shun risk. We find that he is moderately but not strongly averse to risk; he is willing to accept the risk involved with improved seeds if their yield potential is high and they otherwise meet this needs. Increased variability or instability will not concern him too much if he continues to make a profit. A concern for complete crop failure will restrain him from investing in modern agriculture.

Multiple cropping and particularly intercropping increases stability as shown in one recent study by ICRISAT. It was found that crop failure with pigeonpea may occur 1 year in 5, in sorghum 1 year in 8, but with the intercrop of sorghum and pigeonpea only 1 year in 36. It is true, from a mathematical point of view, that the combination of the intercrop is less stable than it should be, but this should not worry the farmer. His productive agricultural life is unlikely to extend to the 40 years needed to test the stability of intercropping.

Reducing Instability

Instability is also reduced by using cultivars that are resistent to pests and diseases and by using more uniform planting dates district by district. As has already been mentioned, the farmer often may have access to a small supply of supplemental irrigation which if used judiciously can prevent significant reductions in yield.

From years of experience, the farmer understands how to cope with drought in all but the worst years. His ability to handle the situation depends upon the nature and size of his farm, the production systems he uses and the alternatives available. Small farmers adjust more rapidly than large ones. A mechanized farm can install drought-adapting practices more rapidly than a non-mechanized one, a sole commodity farm is less adaptable than one with mixed commodities. In the infrequent years of very severe drought, Government intervention is essential. Left to himself at those times the farmer may need to dispose of his productive assets, to migrate in search of work, even to sell his land. He and his family may never recover from such drastic steps. A minimum programme of crop insurance in rainfed farming will serve not only to take care of these problems but act as a substantial incentive to raise production in general. There is no doubt that the farmer in rainfed agriculture in India underinvests because of uncertainty and risk. Guarantee him a certain minimum and his conservative economic stance will change.

Inputs and Institutions

The technology needed to develop the rainfed regions must be supported by adequate and timely supply of improved seeds, appropriate fertilizers and agricultural chemicals and the provision of technical and institutional services.

To establish the lead combination of improved seeds and fertilizers throughout the rainfed area there must be a supply of improved input-responsive seeds of an array of crops. Almost all the annual crops of India are grown in this vast area, and farmers often need to change the crops they grow for a variety of reasons. Opportunities to choose must be available. The strong agricultural research network that India has built can service this need.

New market facilities and strategies will be needed to cope with increased local supplies of crops. Storage facilities will be needed both on-farm and in local market towns to prevent storage losses and to help ensure that what is supplied through the market network is in reasonable balance with demand.

With the necessary institutional services in place — as indeed they are in most of the rainfed districts — and seed and fertilizer supplies assured, the lead combination can be spread by an expanded and well-organized programme of extension demonstrations. Achieving the adoption of a full package of practices is more difficult. It requires the organization of village-level operational research and pilot projects.

The key to the success of such projects is the human factor; the interest and involvement of the farmers and the constant and dedicated attention of trained, motivated and resourceful field extension staff backed up by production and management specialists who are available when called. The Union Minister of Agriculture and Rural Reconstruction in his inaugural address at the 75th Anniversary Celebrations of IARI suggested creating a management infrastructure in which the State would become a partner with the millions of small and marginal farmers in the management of a modern agriculture wholly owned by the farmers themselves. Public servants oriented towards joint management with farmers could ensure success not only of the pilot projects but also of the subsequent operational projects throughout the land. Without such support, a programme of development of rainfed agriculture could become a "shell without substance" the term used by Sudhir Sen[2] to describe the Community Development Programme in its latter days.

Achieving 4 Per cent Growth

The Sixth 5-Year Plan projects an average annual growth in cereal grain production of 3.65 per cent over the Plan period. FAO has called for 4 per cent. I have tried to show that increased production of grain can be obtained by developing rainfed agriculture. It is interesting to consider whether and how the additional production could be achieved from the rainfed areas, that is, to raise the Sixth Plan cereal grain production targe by 2.3 million tonnes over the five-year period.

The easiest way would be to enable — or simply to allow — sorghum production to continue to increase at or near the average rage, 6.3%, that it has increased over the most recent 8 year period for which data is available — 1969-70 to 1977-78. This would more than fulfil the requirement. An annual average growth rate for sorghum production of only 5.6% would provide the added 2.3 million tonnes required. There seems no reason to think that this could not be achieved, particularly because the Sixth Plan emphasizes increased production from rainfed agriculture.

Other crops besides sorghum are, of course, necessary; the emphasis on sorghum is to some extent symbolic. Pearl millet production could certainly be increased now that new downy-mildew resistant hybrids are available. More pulses, oilseeds and fibre crops could also be produced.

Different Situation

For maize and rainfed rice the situation is different. Suitable technologies acceptable to the farmer do not yet seem to have been evolved for these crops in the areas where they are mostly grown. A substantial effort in agricultural research and extension, and improvements in infrastructure are still required to raise growth rates of production for these crops. The efforts are needed in eastern India and the hilly and tribal areas. The efforts would be rewarding, therefore, for important social reasons.

The additional requirements for inputs to obtain the increased production appear quite modest. Using as a basis for calculation the results of the national agronomic demonstrations in recent years, I have calculated that an increase in sorghum of 2.3 million tonnes by the end of the Plan period would add only about 1.5% to the Plan targets for certified seed and for nitrogen, phosphorus and potassium fertilizers. No doubt the Plan proposals for increases in these inputs are already considered highly optimistic or ambitious in some quarters, but the totals I am talking about, that is, adding about 8,000 tonnes of certified seed and 130,000 tonnes of additional plant nutrients, do not seem to me to place an insuperable extra burden upon the industries concerned. Surely Coromandel Fertilizers Ltd. would appreciate a chance to help meet the challenge.

The Government has recently acknowledged shortfalls in the supply of certified seeds. But the seed rates for sorghum, the millets and maze are so low about one-tenth the seed rates for irrigated wheat and rice — that problems of seed supply could surely be minimized.

Supply of course is not enough. Distribution and technical services are essential components of such a programme. The Government has already given a lead by insisting that fertilizer distribution to at least every block headquarters in the country should be accomplished by the end of this Plan period. The fertilizer industry although raising some caveats has agreed to try. I hope it will be possible to go further; to bring inputs to every village, at least in that rainfed region with rainfall between 750 and 1200 mm where the greatest potential for increased production exists.

Technical Services

Improvements in technical services are already in hand. The country has embarked upon a determined effort to increase the efficiency and availability of agricultural extension services throughout the country. My impression is that it is succeeding but that it has a long way to go. ICRISAT has been undertaking socio-economic studies in 11 villages, 7 of them within the most suitable area for increases in rainfed farming. None of those villages appear to be receiving regular attention from the extension services. The farmers have been only vaguely aware of the real potential of improved technology. We have since introduced improved technology into 4 of those villages, and the farmers have been most interested and responsive.

Private industry too must do its share. The rewards appear substantial. In a recent publication, one fetilizer company described its own experiences in participating in a production campaign in rainfed areas in Maharashtra. Over a

3-year period fertilizer consumption was increased at a compound annual growth rate of 34% and the company increased its own sales at a compound annual growth rate of 60%. I am sure that supply rather than demand will limit the continuance of growth rates of this magnitude.

The research and demonstration efforts that have been made in recent years in the rainfed areas have identified a few items that are needed in addition to the normal technical and institutional services for agriculture. Improved land management increases the demand for bullock power compared with present utilization patterns. Small farmers in particular find the lack of bullocks to be a major constraint. If the banks presently do not provide loans for the purchase or custom-hiring of animals, policies may be required to enable this to be done.

Improved Drainage

To effect the improved drainage that is needed during periods of heavy rainfall requires the provision of community drains, that is, drains that serve several farmers or several villages. The farmers themselves quite naturally are unwilling to bear the cost of these community works, although they may be willing to provide the necessary labour. State soil conservation programmes are able presently to provide only part of the funds and services required. Other major rural development programmes, such as the Food for Work and National Rural Employment Programmes presumably could be utilized. At present these appear to be mostly oriented towards the drought prone areas, but greater coverage throughout the rainfed region of the country would seem necessary and beneficial.

Improved technology, at least as we see it from ICRISAT, requires some improvement in farm implements. Wheeled tool carriers, if heavy enough, improve seed and fertilizer placement and by reducing the bullock-power and manpower needed for each operation, increase the number and timeliness of the operations that can be performed. The tool carriers and implements that perform best are costly — at about one-tenth of the price of a tractor— and are out of the reach of individual small farmers. Entrepreneurs who would custom-hire the tool carrier may need to be encouraged by appropriate policies. One possibility would be the extension of the educated unemployment scheme to include the financing of wheeled tool carriers.

I have not tried to calculate the additional outlays of public funds that would be needed to promote increased production in the rainfed areas. My impression is that the amounts would be modest, probably of a similar order of magnitude to what I have shown for increased inputs. Perhaps these are already in train in accordance with the Sixth Plan's emphasis upon rainfed agriculture. Actually the planned growth rates for rainfed cereals that are shown in the Sixth Plan do not seem to agree with the stated emphasis. The higher figures that I have proposed would, I suggest, bring anticipated achievements more in line with the statement and with the major Plan objectives of increasing growth through more efficient use of resources and improved productivity, in reducing poverty and unemployment, in reducing regional inequalities in the rate of development and in protecting and improving the nation's ecological and environmental assets.

Summing Up

The rainfed area is the home of millions of people. Their per capita income is low. Most of them are disadvantaged and backward by every measure and criterion. Their basic needs are inadequately met.

An increase in rainfed farming of the magnitude that is suggested here will add many crores of rupees to total income but the increase in per capita income would be small. For the rural areas in which the income increases would actually occur, however, they would mean a lot. For example in the Akola district of Maharashtra, our research over the last six years shows that use of the lead practices of improved seeds and fertilizers throughout the district would double gross returns and, after allowing for normal costs including more labour or increased returns to labour, would provide a net increase in per capita income to small and medium farmers and their families of about 25 per cent.

What would the rural people do with such an increase? Strangely enough there is little research information available to answer this question. There are numerous studies on the inverse of this question. "What do they do in times of drought?" But next to nothing on what they will do in good times.

Quality of Life

What evidence is available from expenditure and price elasticities[3] suggests that they would consume more food; more calories and more protein, more sugar and less starch, more protective foods such as milk, vegetables and fruits. If they could obtain more fuel they would have more cooked meals and fewer intenstinal parasites. No doubt they would put more into important social obligations. If their incomes increased sufficienctly they would buy more radios—thereby increasing their access to technological information—and bicycles—thereby increasing their access to the market. They might elect to keep their children in school for one more year or improve their homes and household sanitation. Surely rural people can hope for — even expect — such modest improvements in the quality of their lives.

I have left to last a consideration of the utilization of the increased crop production that would come from a push to develop rainfed agricultre. There is no need to dwell on what would happen to the increased production of pulses and oilseeds, nor do I think that any case needs to be made for the increased production of industrial crops. This leaves us then with only the cereals to worry about. Is there a problem? I think not. While the whole emphasis of this lecture and indeed of Government's plans in agriculture relate to the all important concern to ensure food supplies for the people, it is obvious that the feed grain industry in this country is growing at a faster rate than the food grain industry. There is potential there to absorb additional production.

India's involvement in the international grain trade over the last two decades has mostly been on the receiving end. This, too, is changing. Over the last two years or so, there have been exports of grain. The Minister of Agriculture and Rural Reconstruction in the speech referred to earlier has suggested that this country could export 5 million tonnes of foodgrains in the next few years on a continuing basis. The Sixth Plan refers only to the export of rice, but there is no reason not to include other food — and feed— grains.

Finally, if the farmer cannot find anything else to do with the grain he produces, he and his family can always eat it. The rural people of this country have nutritional deficiencies, the most important in calories. They simply do not get enough to eat. Our studies on the disaggregation of risk in rainfed agriculture show that the farmer faces greater instabilities in yield than in price. The subsistence farmer and his family must still worry most about their ability to subsist. They must somehow get beyond this stage if they are to contribute to development.

The successful agricultural experience of recent years has taught us that agriculture is a potent instrument for rapid economic growth[4]. What now needs to be realized is that the rainfed areas are not just problem areas requiring famine relief and protection, but can be major contributors to growth, and to increasing employement and to the rapid reduction of rural poverty.

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In the Nation

A Constructive Approach

T.T. Vijayaraghavan writes from Bombay

IT IS amazing that while recurring natural calamities like floods and drought hit newspaper headlines and some lip-sympathy, customary in nature, is shown for the victims, no concrete action is taken to make a constructive approach in tackling them. In this context, therefore, two recent reports by the Agricultural Finance Corporation, one on the flood-affected districts in Rajasthan and another on the drought-affected areas in Andhra Pradesh should be highly commended. The merit of these reports is that a serious attempt has been made to evolve a long-term strategy that would go a long way, if the suggestions made are implemented, in not only rehabilitating the affected people but help them to face the future with confidence by boosting their morale. Though the reports have been prepared in a relatively short time—and this is a plus point—they help in going to the heart of the problem in the respective cases.

Flash Floods

It may be recalled that unprecedented flash floods hit large tracts in Rajasthan in July this year and imposed a tramendous amount of suffering to the people besides heavy loss of property. The irony is Rajasthan is chronically drought-affected. In fact, in many of the villages acute famine conditions prevailed due to drought before the cloud-burst. In the five districts of Jaipur, Tonk, Sawai-Madhopur, Nagaur and Bharatpur the total losses on account of flash floods is estimated at Rs 262 crores. In addition to loss of dwelling houses, damage to agricultural sector had been very heavy. Most of the standing crops like bajra, pulses, jowar and maize were lost.

It is in this context that AFC rose to the occasion and offered to play the role of a coordinator of the financial institutions in the reconstruction activities and also to put the economy of the rural poor on an even keel by formulating schemes to be financed by member banks. AFC and the banking industry thus jointly mounted missions in the affected districts to assess the damage on account of widespread natural calamities. Based on its assessment the AFC-Bankers' study team has recommended a rehabilitation programme divided into two parts. One is to providing immediate assistance to affected persons and to look into eligibility to enable further credit support from the financial institutions. The other is to suggest solution of a permanent nature not to depend on land resource alone in case of recurring floods or drought.

More important is the time bound action plan prepared for implementation after identifying priority areas. These include sand cast land reclamation, minor irrigation development, provision of new open wells and also providing pumpsets and fishery, cottage industry and livestock development in some of the districts and adequate short-term credit to work the assets created to rated capacity. The total estimated cost of the project is about Rs 28.30 crores and credit requirements have been assessed at Rs 21.73 crores to be provided by commercial and cooperative banks. Land reclamation of sand cast affected areas alone is estimated to cost Rs 16.64 crores. The major thrust is an integrated programme of providing irrigation facilities and reclamation of land and provision of adequate compost to develop the land. The programme has been divided into two phases, the first two years starting from 1982 and subsequently after proper monitoring at the end of the first year, necessary mid-term corrections will be made for future plan. From the point of view of land use planning, it is recommended that farmers should cultivate quick growing and less water dependent crops. Growing of pulses should be given an important place in the new crop pattern.

Subsidiary Occupation

The report recommends that the flood affected people may be provided with diversified subsidiary occupation not only to supplement their income but also to provide a stable base for sustained income. Here an integrated programme of sheep and wool development incorporating marketing should be considered. The banks should also encourage economic activities like rural and cottage industries, handicrafts etc., with a view to reducing dependence on farming alone. There are several cottage industries that could be developed in the State, zari, toys, leather products, brass ware, etc. It is important to tag marketability of these products with the Marketing Federation and other channels of marketing. There is also potential to develop inland fish culture in private ponds and tanks and also to establish a Fish Farmers' Development Agency. The report recommands that a master plan for the entire project should be prepared before implementing various components of the rehabilitation programme. Detailed soil survey and hydrological survey are essential prerequisites for area development. Development of animal husbandry and cottage industries should form an integral part for gradually eliminating dependence on farming.

The whole idea is to emphasise the concept of total development of the area, something which was done by the AFC/Bankers' study team while recommending a strategy for drought-affected areas in Andhra Pradesh in an earlier report. The districts of Anantapur, Chittoor, Kurnool, Medak, Mahaboobnagar and Nalgonda in Andhra Pradesh have always been drought-prone. Last year the severity was felt more due to early withdrawal of rains during the last previous season and failure of the north-east monsoon. Irrigation potential over these areas is very limited. Wells and tanks are the major sources of irrigation. Due to the failure of monsoon these irrigation sources had gone dry resulting in widespread failure of crops. Livestook suffered severe setback, and due to scarcity of drinking water and fodder the milk production and reproductive efficiency of animals had also declined.

Long-Term Strategy

The Centre proposed that the AFC should take up the work of formulating a long-term strategy for minimising the hardships caused by recurring droughts. In its comprehensive action plan the AFC-Bankers' study team emphasised that attention should be focused on minor irrigation schemes such as deepening and renovation of existing wells, digging of new wells and energisation of irrigation wells. The major thrust of the programme, however, should be on collection of run of water during monsoon. One of the methods is to construct bunds across small streams or low lying areas to impound run of water. The water harvested will help to provide protective irrigation to some areas during the critical period. A small bund which would irrigate about 5 acres may cost around Rs 10,000. Such schemes are useful and directly beneficial to the weaker sections. Locally available cheap material like stones could be used for protection of outlets and grass waterways. The team suggested that an immediate survey should be conducted to identify suitable locations for the construction of small bunds (check dams) under the watershed management programmes. The entire planning and implementation of this programme could be entrusted to the Department of Agricultural Engineering, Initially about 100 such units per district may be constructed and depending on their success, the scheme should be extended to all the blocks and villages. Simultaneously, dug-outs and more percolation tanks on community basis should be constructed in the drought affected areas.

The report also pointed out that next to creation of irrigation facilities, soil conservation works need to be geared to conserve moisture with a view to minimising the moisture stress of the crops. Soil conservation work should, therefore, be taken up on a priority basis. Quick growing species should be encouraged in the newly conserved areas and also in the vicinity of the villages. Various soil conservation measures should form on integral part of watershed management. Besides minor irrigation, other schemes relating to dairy and poultry farming and sericulture were also recommended. Yet another suggestion is development of orchards, since they need minimum irrigation. Plantation of mango, citrus, etc. may be taken up in drought affected areas on a massive scale. A field equally promising was sericulture which is an agro-based industry suited to drought-prone areas. It is capable of generating employment for all the members of a family throughout the year. The study team's recommendations for immediate relief and for prospective measures would involve a sum of Rs 115.13 crores of which the share of commercial banks would be nearly half.

There can be little doubt that implementation of these schemes which in their nature are not grandiose will make all the difference to the wretched life of the people affected by natural calamities like flood and drought. By getting rid of a fatalistic approach, it will release new forces that would bring some cheer to them.

Poor Capacity Utilisation

Among the many ills that bedevil the Indian economy is the poor capacity utilisation in several major industries. The table below gives a comparative picture over the last five years for seven major industries. Each of these industries has shown a declining trend after 1978-79. It is to be hoped that this sorry state of affairs will come to an end, for otherwise we can go on investing only to produce far less than our requirements.

Capacity Utilisation in Major Sectors : 1976-77 to 1980-81

Sector	1976-77	1977-78	1978-79	1979-80	1980-81
Saleable Steel	91.9	90.3	81.5	69.1	72.2
Aluminium	83.5	61.3	66.4	58.2	59.1
Fertiliser (N)	83.6	82.3	83.3	76.6	51.0
Fertiliser (P_2O_5)	66.0	78.0	73.4	61.5	66.0
Cement	86.0	88.8	85.6	72.6	72.1
Newsprint	76.9	74.7	64.0	63.2	76.0
Paper & Paper Board	79.0	76.0	72.4	68.2	62.5
Thermal Power Generation	56.0	50.8	48.4	45.0	44.7

Table from Bank of Baroda Weekly Review

RBI Relaxes Chore Norms

When the Reserve Bank of India announced that it would accept the Chore Committee's proposals on the working capital requirements of firms borrowing from the banks, a howl of anguish went up. The RBI now seems to have paid some heed and has decided to permit some relaxations in the implementations of the Chore Committee's recommendations.

It has now told the banks that borrowers falling under the categories of new companies floated before December 8, 1980, companies showing incipient signs of sickness and those having finalised modernisation or expansion programmes prior to the implementation of the recommendations as well as of those who may find themselves unable to switch to the second method of lending will be treated with more consideration.

These criteria amount to almost a blanket relaxation and as such there is bound to be a feeling of relief amongst the borrowers. However, just to show that it does mean business the RBI has told the banks that these relaxations will be permitted only for three years. This period, feels the RBI, should be sufficient for allowing the transition of the second method to take place.

One of the most widely voiced fears in industry was that by switching over to the second method of lending firms would not be able to put by anything for growth because all of it would be absorbed by their working capital needs. To some extent, it was perhaps this that led to the burst of activity in the capital market, particularly in relation to debenture and bonds. The number of companies inviting deposits from the public also went up sharply.

Given that the intentions of the RBI are not quite as dishonourable as has been made out sometimes, the stricter conditions for borrowers and requirement that the borrower's contribution from his own funds and long-term resources for meeting working capital needs should be at least 25 per cent of total current assets will necessarily lead to a more efficient utilisation of capital. Precisely how this will be achieved will vary from firm to firm and industry to industry. But there can be no getting away from the fact that when funds are scarce, costly and come partly from their own pocket the imperatives of efficiency will become more pressing than otherwise.

Engineering Trends

A DISTINCT deterioration in the general business climate is expected during the six months to March next in so far as engineering industry is concerned. The industry as well does not expect the investment climate to improve during the next 12 months. Consequently, authorisation of higher capital expenditure on buildings, plant and machinery for the period ending September next year is being generally held up.

Sector-wise, however, some greater optimism is being expressed by metal products and parts (except machinery and transport equipment), transport equipment and parts and miscellaneous groups as regards the general business climate and by machinery, machine tools and parts (except electrical machinery) and transport equipment in respect of capital expenditure.

The above are the broad findings of the 16th half-yearly survey released by the Association of Indian Engineering Industry last week. The survey has also revealed that while there was generally some improvement in capacity utilisation during the first half of the current financial year, the average cost per unit of output will generally go up during the coming months. As the average sale prices are not anticipated to firm up, the rate of return on capital employed is not expected to mark any improvement.

Several constraints have been there on raising production during the first half of the year. These include power stringency, shortages of materials and components, financial difficulties and inadequacy of orders in some lines of production. It remains to be seen how far they will get mitigated in the coming months. Raw materials shortages have been experienced in regard to steel items, pig iron, non-ferrous metals and bought-out components.

The order position of the industry is not expected to improve, though some firming up is anticipated in the case of machinery, machine tools and parts (except electrical machinery). No significant improvement is generally expected in the value of output. The value of stocks is anticipated to go down in the basic metals and alloys industry, machinery, machine tools and parts (except electrical machinery), electrical machines, apparatus, appliances, and parts and miscellaneous sector, whereas inventory holdings may go up in the transport sector.

No improvement is generally anticipated in export prospects during the 12 months to September, 1982, although there is a little more optimism regarding export prospects in regard to basic metals and alloys industry, metal products and parts except machinery and transport equipment. No general improvement is anticipated in regard to value of new orders. Though the majority of the respondents have indicated that the value of export deliveries will remain around the old levels, nearly one-third of the respondents have expressed the view that the value will appreciate during the October-March period. There is somewhat less optimism about the firming up of average price at which export orders are booked. The major constraints that are likely to restrict the ability to obtain and execute export orders during the October-March period include prices, difficulties in obtaining shipping space, delivery dates compared to overseas competitors and credit or finance.

Promoting Private Housing

WIDE-RANGING recommendations have been made by an experts group headed by the Secretary, Union Ministry of Works and Housing, Mr M K. Mukherji, to revive and promote private housing activity in the country. The need for promoting this activity cannot be overemphasised. With the passage of time, the housing problem, particularly in the urban areas, has accentuated a great deal, leading to rapid increases in rents.

The more important among the experts group's recommendations are (i) liberalisation of exemption from capital gains tax on sales of dwelling units; (ii) reduction in stamp duty and registration charges, (iii) rationalisation of the Rent Control Act, (iv) amendment of the Urban Land Ceiling Act; (v) according appropriate priority to housing in the distribution of cement and steel as well as for the supply of coal to brick kilns; (vi) extension of the Apartment Ownership Act to the entire country; and (vii) setting up of a specialised financial institutional structure exclusively for housing finance.

The group feels that the existing provisions of the Rent Control Act are overwhelmingly biased in favour of tenants;

they leave very little incentive for construction of new houses for rental purposes. While protection of interests of tenants, it stresses, is necessary, adequate provision ought to be made in the Act to not only cover the maintenance and repair costs but also the incidence of inflation.

Capital gains tax on the sale proceeds of houses is not levied at present if these proceeds are utilised for the acquisition of another house for self-occupancy within a year of the sale transaction or are invested in rural bonds. This exemption, the group has suggested, should be permitted if the amount is utilised for the construction of a residential house either for self-occupation or rental purposes within two years of the sale. Exemption should also be made available if the proceeds are invested in deposits with housing financial institutions for a period of at least three years. Interest on investments in deposits with financial institutions for housing may be exempted from income-tax up to a limit of Rs. 2,000 per annum. This should be over and above the existing exemptions in respect of interest on bank deposits, the return on equities of industrial undertakings, the dividends of the Unit Trust of India, etc. Investments in loan linked deposits meant exclusively for housing purposes should be exempted from income-tax upto a maximum of Rs. 3,000.

A three-tier specialised financial institutional framework has been suggested for promoting private housing, the three tiers being the national, State and district levels. HUDCO could carry out the functions of the appex body at the national level, while the State housing development corporations or housing boards could be utilised at the State level. A new set-up would be required at the district level. Initially 100 districts may be selected for this purpose.

The group recognises that a reduction in stamp duty and registration fees may initially mean some loss to the State Governments, but fees that it will be more than made up by appreciation in land values as well as the increase in the number of houses. This will also go some way in restricting the generation of unaccounted money.

The extension of the Apartment Ownership Act to the entire country, the group feels, will ensure that flats and apartment owned by individuals are mortgageable and transferable. This legal reform is considered necessary to foster private housing not only in metropolitan cities but also in the major urban agglomerations. The setting up of a mortgage insurance corporation as a subsidiary of HUDCO has also been recommended as an experimental measure.

As regards ceilings on urban lands, the group has expressed the view that the rapid increases in the price of land in urban areas in the recent past has been due to scarcity of developed land for housing purposes. There is, therefore, need for identifying, acquiring and developing urbanisable lands in cities. The State Governments have suggested some amendments in the Urban Land Ceiling Act with a view to increasing the availability of land for housing. These amendments should be accepted. Land at pre-determined rates should be ear-marked for housing cooperatives to encourage group housing, particularly in large cities.

The need for according appropriate priority to housing in the distribution of cement and steel as well as for the supply of coal to brick kilns arises from the fact that widespread shortages have been experienced of these basic construction materials. Unless they are made available at reasonable prices, the house building activity will continue to suffer.

Dry Port Concept Needs a Push

S. Viswanathan writes from Madras

In August, an Inland Container Depot (ICD) was set up, on an experimental basis at Bangalore on a covered area of 600 sq. metres. for accommodating the offices of Customs, Exporters, Handling Agents and Shipping Agents. There is facility to handle 4 flat wagons at a time; for loading and unloading 5 mtr. containers crane facilities have been provided. The ICD is under the charge of the Railways which provide manpower and facilities for stuffing and destuffing containers, weighment, etc.

For quite some years, the concept of setting up dry ports inland has been evoking considerable interest. Exporters inland have to spend considerable energy, time and money in the transportation of consignment to the ports, in setting up facilities at port towns for liaison and chasing which have become part of Indian business life. The advent of the container in the late sixties brought about a tremendous transformation in the handling and transportation of cargo in international trade. Several advantages have accrued through the vast innovations made in handling cargo through containers. The essence of containerisation lies in aggregating the cargo into larger packages and in reducing handling and transport time. The major advantage is a drastic reduction in the turnaround of ships, thanks to a vast curtailment in loading and unloading time. Containerisation also meant a coordinated development of the transport system designed to reach the goods from a manufacturer in any part of the world to the customer in any other.

The use of the container facility will naturally require a good deal of retooling of the existing outfit at the ports, in the logistics of movement into hinterland and in a wide range of handling equipment.

As is common with any such innovation, there is a good deal of resistance to change. In the four months since the scheme had been introduced only two major transactions have taken place through the ICD. ITC Limited utilised the facility by organising the despatch of 13 containers through one rake load; Mysore Lamps utilised these facilities for importing one such consignment directly into Bangalore. The Association of Engineering Industry, Southern Region which has been actively involved in the promotion of the setting up of ICD, organised a seminar on ICD in Bangalore in September when it identified a number of teething problems. The Member, Customs and the Secretary in the Department of Shipping, representatives from the Railways and the Madras Port and others connected with exports discussed the problems and a number of measures were evolved to make the experiment a success. Many of these relate to a certain reorientation of procedures followed hitherto. For instance the success of an inland dry port will largely be determined by the ability of the exporter/importer to complete the formalities at inland points; the need to duplicate this efforts at the port town should of course be obviated. This facility should also help him economise on handling and transportation. For this, combined transport documents (CTD) should be evolved to facilitate movement of containers under a single contract.

Difficulty Solved

The initial difficulty in negotiating the CTD at Bangalore has been solved and the Reserve Bank has taken steps to authorise banks to discount CTDs. The second problem related to the lack of appreciation on the part of shipping companies to accept the CTD. Scindias have been persuaded to accept the CTD. But surprisingly the Shipping Corporation is yet to fall in line. Much of the strength of Bombay lies in its having the headquarters of several of the large shipping companies, the Export Credit and Guarantee Corporation... which enables exporters to get the clarifications and decisions in case of difficulties. Unfortunately such facilities are not available in comparable measure in Madras. Strangely enough despite the very large volume of traffic handled through Madras by its vessels, the Shipping Corporation of India continue to operate through agents. It is not averse to giving commissions running to a few crores of rupees to private agents and still does not consider it worth while to have a fullfledged office in Madras with sufficient powers delegated to deal with problems of exporters.

The Railways which introduced over a decade ago the concept of containers for door-to-door movement of goods inland, unfortunately seems to have lost its capacity to benefit out of this innovation. The Railways should gear itself up as a vibrant commercial organisation to seize the opportunity, offered by the ICD as if in a platter. Possibly because of its depressing track record since 1977 when therehad been a continuous and steep fall in the traffic handled by it, there has been little enthusiasm to commit to handle cargo on a timebound basis and at an economic cost. An inland container depot at Delhi, for instance, is bound to give substantial volume of business to the railways, of high rated goods over a long lead which has been creamed of by the road transport. Looking at the potential for winning back customs from the roadways to which the railways has lost very considerable volume of such high rated traffic, the railways would do well to introduce promotional measures. Unfortunately hitherto the railways has not displayed any serious enthusiasm over the ICD project at Bangalore. Exporters complain that movement by railway through containers is found to be costlier in certain respects than the existing arrangement of taking the goods to Madras Port for export by road. The instance of the railways including a cost component for meeting customs service which was not levied on goods shipped out of Madras Port was cited. The railways have an excellent opportunity to create a separate wing to concentrate on the ICD and ensure its success. After all it will be a considerable beneficiary of this innovation.

A Boon

Bangalore has a rich cluster of engineering units especially in the public sector. These have built a good volume of export traffic. Bharat Electronics, Bharat Earth Movers, HMT, HAL and the Indian Telephone Industries in the public sector, a number of research establishments coming under the Defence Ministry apart from a large number of private sector companies like Amco Batteries, MICO, NGEF, have developed over the years sizable volume of import and export trade. The location of an inland container depot at Bangalore at which the exporter can complete all formalities for export and import, was considered a sort of boon by these industries.

It is feared by exporters that the poor utilisation of the ICD facility might further delay the plans to take to containerization. The initial plan is to develop an area of 200 acres near Whitefield Station in Bangalore with facilities provided for warehousing and stuffing, handling and finally despatching containers to the Madras Port. When the ICD gets into full swing, there will be demand for as many as 500 flat wagons per year to handle the containers which would be loaded straight from the wagons into the ship without the need for storage at Madras Port.

The efforts to catch up with the time lost on containerisation very much depend on the success of dry cargo concept experimented upon at Bangalore. The closer co-ordination among the port, shipping companies and the railways is very essential for the success of this imaginative concept.

Confidence in Calcutta Port

THE SEMINAR on Calcutta port, sponsored by the Shipping Corporation of India in collaboration with the Indian Institute of Management, on December 11 and 12 highlighted the improvement that had taken place in the current year but warned that unless timely and effective measures were taken to enable the port to cope with the growing volume and variety of traffic it would be unable to play its role in the economy of the eastern region. Mr S.K. Sen, Regional Director of the Sihpping Corporation of India, and President of the Seminar Committee, said that "there are visible signs of revival of economic activity in the eastern region and, with the all-round improvement claimed in the overall functioning of the port and the welcome calm on the labour front for most part of 1981, the Calcutta-Haldia port complex seems to be looking up in all respects for a promising future". At the same time, he referred to reports that shippers were shying away from Calcutta and looking to the ports on the west coast. He described the proposal to delink Haldia as "the last straw on the camel's back" and remarked that "the port's reputation is seen ebbing and a sense of marked despondency is felt among the users".

Spokesmen of the jute, tea, engineering and other industries described the problems faced by them in using the port. The freight on jute goods is of the order of 25 per cent to 30 per cent of the FOB cost but whenever congestion charges or other levies are imposed, they sharply escalate the prices and make the products uncompetitive. The smooth functioning of the port is therefore of considerable importance from the point of view of creating confidence among foreign buyers. Yarn for carpet weaving is having good demand in Europe and America and the consumers want the supply in containers. So, container services for this item, now available only in Haldia, should be extended to Calcutta also.

The representative of the tea industry referred to the growth of container service and he disclosed that nearly 90 per cent of the tea shipped to the UK in the 1981 season was in containers. He said that "the tea trade has moved into the container age almost over-night and this mini-revolution would never have been possible if the Calcutta port and the shipping lines had not risen to the occasion". But the transport between Calcutta and Haldia is expensive and makes tea costlier by 20 paise per kg.

R. J. Venkateswaran writes from Calcutta

It was encouraging to learn that exporters of engineering goods at present were not facing any major problem in using the Calcutta port. But the authorities should plan realistically to provide adequate facilities in the coming years since the export of capital goods through the port is estimated to increase from 64,000 tonnes in 1982-83 to 244,900 tonnes in 1985-86, consumer durables from 18,700 tonnes to 56,500 tonnes, primary steel and pig iron based items from 4,10,400 tonnes to 8,33,200 tonnes, and non-ferrous items from 500 tonnes to 700 tonnes.

Several speakers focused attention on the inadequate availability of equipment of various kinds and their poor maintenance. It was pointed out that out of 39 fork lift trucks only 22 were available at any given time for 51 berths. But Madras has 78 fork lift trucks for 20 berths. Bombay is also better placed in this respect. Moreover, in Bombay and Madras, the authorities allow outside agencies to use their own equipment when necessary. The complaint was made that some mobile equipment purchased in the last year was found to be unfit for use and the question was raised whether adequate care was taken at the time of placing orders. It is for the port authorities to ensure that the funds made available for modernisation are put to use in the most efficient manner.

Labour Situation

The Government of India should give careful consideration to the several specific suggestions made at the seminar. The fact that there has been some improvement in the conditions in the port in recent months should not create complacency. It is relevant to recall that in 1979 the port's operations were suspended for 135 days because of workers' agitation in various forms. The labour situation therefore has to be watched and any dispute that may arise should be settled promptly. The problem of surplus labour has to be tackled tactfully and efforts have to be made to improve productivity.

Although the responsibility for developing the Calcutta port is mainly that of the Central Government, the Government of West Bengal has also to play a more positive role. For instance, some speakers at the seminar referred to "the appalling condition" of the roads leading to the port and pointed out that this was one of the major impediments to the growth of container traffic. The State Government should also take effective steps to prevent pilferage from the port area. It is only by the combined efforts of the Central and the State Governments that the Calcutta port can once again occupy a prominent place in the country's foreign trade and create greater confidence among exporters and importers in India and abroad.

Tatas Top Again

THE HOUSE of Tatas re-emerged as the top industrial house of the country last year, followed by the Birla Group in terms of their assets and turnover. The profit before tax of the Birla group, however, exceeded that of the Tatas.

Both these groups had added 26 concerns each between 1972 and 1980.

This was revealed by the Union Minister of Law, Justice and Company Affairs, Mr P. Shiv Shanker, in a written reply to a question in the Rajya Sabha on December 14.

The total assets, turnover and pre-tax profit of some other MRTP houses during the year were as follows:

(Rs crores)

Name of the Industrial House	Assets	Turnover	Profit before tax
Tata	1538 97	1942 90	110.03
Birla	1431.99	1845.20	121.15
Mafatlal	427.54	613.61	31.93
J.K. Singhania	412.72	436.63	18.21
Thapar	348.06	485.59	28.40
ICI	343.01	333.25	10.74
Hindustan Lever	219.30	469.49	31.37

Note: The above figures have been complied from the 1980 balance sheets of the companies wherever available. For a few companies whose balance-sheets for the year 1980 have not been received, figures from the latest available balance-sheet have been used.

The new companies which came under the control of these MRTP houses between 1972 and 1980 were as follows:

Tatas	26
Birlas	26
Mafatlal	5
J.K. Singhania	4
Thapar	11
ICI	nil
Hindustan Lever	5

Window on the World

Turning Point in Reagan Economic Strategy

V. Balasubramanian

THE REAGAN economic revolution has started devouring its young. The first casualty is the vision of a balanced budget. In his campaign speeches and during the early days of his administration, Mr Reagan was persistently pillorying federal budget deficits for sapping the vitality of the American economy. He pictured them as the symbol and symptoms of a Government living consistently beyond the means of the people who have put it in power. And he put it down among the priorities of his economic programme that he would move federal finances into balance over the first three fiscal years of his four-year term of office.

The priesthood of supply-side economics, however, have always known differently. They, nevertheless, did nothing to disturb the President in his thought processes. Their priorities, of course, were not the same. They, in fact, had only one. This was to get into place as fast as possible tax legislation effecting an across-the-board reduction in income-tax rates of 10 per cent each year for three years. They knew of course that the President fully shared their enthusiasm for tax reduction, which he also saw as the most effective means of realising his cherished purpose of cutting Government to size. Still they did not want to take chances, in case the President became vulnerable to arguments from other quarters that he would have to strike a balance between his twin desires of reducing taxes and balancing the budget if he wanted to avoid the unprofitable exertion of eating his cake and having it.

So, while they kept their own counsel on their primary faith that the important thing was to spark economic growth through powerful fiscal incentives for saving and investment and that other problems such as budget deficits did not really matter during the relevant time-frame, they thought it prudent to encourage the President in his belief that the surge in economic activity would come quickly enough to broaden the tax base sufficiently for the Government to secure more revenue despite lower tax rates.

Not everybody around the President, to be sure, thought well of this marriage of convenience between supply-side tactics and the aims and hopes of the Reagan economic recovery programme. The Chairman of the Council of Economic Advisers, Murray Weidenbaum, who shows every sign of establishing himself as the outstanding opportunist of this administration, for instance, once tried to expound the assumptions of the administration's economic strategy in such vague, or even mystic language, while testifying before congressional committees, that he provoked a comment in the press that he seemed to be reading the entrails for projecting the course of the economy. Shades of "voodoo economics," again.

Small Talk from Washington

Budget director, David Stockman, by any reckoning an intellectual heavy weight, which Weidenbaum, by whatever definition is not, however, was clearly not comfortable with the contrived syllogism of supply-side magic and Republican fiscal conservatism. His tragic blunder was that, drunk on the heavy wine of his ample expertise and resoluteness, he overestimated his ability to slash federal expenditure, beyond a point, in the case of social programmes and in any meaningful sense in the area which came within the jurisdiction of the Pentagon. Although he did achieve a historically unprecedented amount of spending cuts, in excess of $40 billion for fiscal 1982, this saving has been seen to be without much impact on the course of federal deficits, although the original programme of tax reduction has been diluted in the meanwhile to a somewhat later starting 25-per cent spread.

Having, in the meanwhile, suffered the embarassment of his agnostic reflections on Reaganomics being made public and his position in the administration thereby rendered precarious, Stockman is understandably taking refuge in the saving grace of humour and recently, on the anniversary of Pearl Harbour, he quipped before a Republican audience that forty years ago the American navy went down in the Pacific and last month he went down in the Atlantic (the reference being to *The Atlantic Monthly* in which an article on his private thoughts on the administration's economic programmes, particularly suppy-side fiscal policies, were published).

Still Stockman may have the last laugh, because the latest administration projections indicate that the federal deficit this year may be $109 billion or about two-and-a-half times as large as the president had targeted and that, worse still, it might rise to over $153 billion in fiscal 1983 and $162 billion in fiscal 1984, thus making nonsense of the programme of pushing federal finances into balance in that period. Confronted with this prospect administration apologists are resetting their song to a tune which must

The Changing Kibbutz

Only 20 years ago, books about the Kibbutz dealt primarily with agriculture, pointing out that the communal settlements produced over half the country's grain crop, 55% of its fish, 87% of its bananas etc. Considering the Kibbutz then accounted for less than 4% of the Jewish population, the record in agriculture was outstanding.

How different is the Kibbutz in the 1980's, when over half of the settlements' income comes from industry, when hardly a Kibbutz, new or old, is without at least one serious factory. Rightly, it is the Kibbutz's heavier industry which is usually stressed -- metallics, electronics etc. — but there is also a wide range of smaller and lighter industry well worth mentioning.

sound strange in Republican ears. They are now arguing that it was a mistake to have emphasised the relevance of balancing the budget to a sound and strong economic recovery programme and that there is in fact no theoretical link or close association in practic between budget deficits and inflation rates. William A. Niskanen, a member of the council of economic advisers, has just asserted that "there is no direct or indirect connection between deficits and inflation" and that, therefore, "in general, concern about the (federal) deficit is misplaced". This has prompted another economist, Herbert Stein, who was chief adviser to an earlier Republican President, Richard Nixon, to retract that "it seems to me that President Reagan is the only member of the administration who believes that deficits are inflationary".

Unrepentant Economist

Niskanen, however, is unrepentant. He urges his fellow economists to think about federal budgets as if they were business or family budgets, with due attention to "the uses" to which the monies are put. He is also trying to challenge conventional wisdom with the aid of charts claiming to show relationships between deficits and money growth and deficits and interest rates over the last 15 years which prove that inflation had varied widely with roughly the same deficits. As an interesting and even amusing diversion it may be pointed out that, if this thesis becomes accepted, Reagan administration theology, some of its spokesmen, notably Treasury Secretary, Donald Reagan, may find it less easy to argue that multilateral institutions, such as the IMF and the World Bank, should prescribe strict regimens of fiscal discipline for the economic health of countries which may seek development or other financial assistance. For the present, however, the administration has other, much more important problems to worry about.

The most urgent of them, of course, is how to recapture for the President's economic recovery programme the fairly large public faith which it seemed to enjoy in the early months of his administration. In those days, which already seem to have receded into the distance, Reagan did enjoy a vast constituency which was prepared to put its trust in his promise to turn round the economy and place it on a high growth path of increasing productivity and employment. To be fair to the President, he did not undertake to perform miracles overnight, but in his showman's zeal, he did go too far in the direction of suggesting that there was some easy and even positively pleasant path to economic recovery that all in the nation could tread, with no particular discomfort to anyone. That kind of visualisation is now shown to have been widely off the mark and the administration's projections for the recession now running its course have had to be changed from the earlier version of a slight downturn, which would have corrected itself by the spring of 1982 to a substantial retreat in the performance indices of the economy, which may last beyond the middle of next year.

Even at this point, however, administration spokesmen are flinching from talking in public about how harsh the recession might be or what its added social costs could be in a context in which federal spending cuts are resulting in extensive hardship to less favoured sections of the population. But this reticence may soon outlive its utility. Come next month, the President will have to go before Congress with his State of the Union message and a programme of action for stimulating employment and the gross national product while keeping inflation and interest rates down. While it is not in Reagan's character or temperament to deliver the kind of Churchillian rhetoric that calls for blood, sweat and tears in a common cause of survival, he will have to confront in public the need to be truthful about the sacrifices which the military build-up that is clearly the first of his concerns must necessarily impose on the community and how he proposes to spread those sacrifices among various sections of the people so that the rich and the powerful are not pampered or even spared at the expense of the poor and the disadvantaged. In this sense the second year of his term may give him the opportunity the first year has not given him of emerging as a truly multi-dimensional leader of the country over which he presides.

* *

Whether A.W. Clausen will make a great World Bank President or not it is too early to say. That he has the making of one could be a reasonable assumption even at this early stage in his tenure. He has clearly the great virtue of practical good sense. The conservative tide in the American establishment is now beating more fiercely than ever before against the fragile rock of development aid. The latest trend is to argue that money given to IDA or other means of concessional lending to Third World countries is so much money taken away from the security-related assistance which it is in US interest to extend to its friends and allies. Clausen may deplore this situation, but he is certainly not weeping over it. On the contrary, he seems increasingly confident of being able to exploit innovative ways of raising resources for the World Bank group for the benefit especially of low-income, less developed countries in regions such as sub-Saharan Africa.

This, happily, has not come in the way of his appreciating the relevance to the global development strategy of progress at other levels of the Third World economic order. He has been repeatedly referring, for instance, to the fact that, outstanding as Japan's economic performance has been, it does not exhaust the list of successes in the Asian region—and here he has in mind also examples other than those set by South Korea, Hong Kong, Taiwan and Singapore. Recently, in a speech before the Asia Society, he noted that Thailand and Philippines have "graduated" from IDA assistance as well as South Korea.

Turning to India, which he describes as "a particularly interesting case", Clausen is quite eloquent about the progress in self-sufficiency in foodgrains, which was the most striking feature of the performance of the Indian economy in the 'seventies, according to the score-cards kept by most foreign observes. India's "Green Revolution", he says, happened because the small farmers were willing to adopt the new technology and they did so at about the same rate as the large producers. He speaks of "sensible government policies and investments" that made this possible and of the World Bank assistance that also helped.

Let me conclude with an involved, but not ineffective passage from the Clausen speech:

"Now the World Bank has been a part of all of this, in partnership with the Indian government, and while we in the Bank cannot claim the credit for the food success in India, or in other parts of Asia or elsewhere in the developing wor'd - that credit clearly belongs to the entrepreneurial spirit of the farmers themselves and to the practical policies of their Governments—the fact is that we have been deeply involved, *and we are going to continue to be deeply involved*" (italics mine).

The former chairman of the Bank of America, evidently, has not moved to 18th & H Street, Washington, DC, in order to preside over the liquidation of the World Bank's Third World connections.

No Respite for Detroit

Sudhir Sen New York

THE ONCE-proud automotive industry of America has been floundering in a crisis for almost three years; and things are not getting better, but worse. There was a ray of hope when home-built, fuel-efficient small cars made their long-delayed debut a year ago. But it quickly vanished as interest rates rocketed to unforeseen heights and consumers put off big-ticket purchases involving costly instalment credit. Since last winter the automakers have been struggling to keep afloat by offering a spate of rebates that cut their operating profits to the bone and plunged them into staggering losses.

As the new model year began, they were once again wistfully looking for a turn in the tide, but only to see their hopes dashed even more brutally. It was the most disastrous start Detroit has ever made with new cars. The sky-high interest rates had already done incalculable damage to the auto industry as to several other sectors like housing, construction, thrift, and small businesses in general. Their effects are now spreading rapidly through the entire economy. A recession of unsuspected severity is clearly under way; and a recession is the worst time for pushing auto sales. This means that until the recovery begins, there will be no respite for the auto industry, if even then.

Last year the industry had incurred a phenomenal loss of $ 4.2 billion; this is the worst one-year loss suffered by any industry in American history. The third quarter of 1981 brought another splash of red ink—a total of about $970 million. Even the General Motors Corporation, the giant automaker and a top leader of industrial America, incurred a stunning loss of $468 million in that period; Ford and Chrysler followed with losses of $335 million and $149 million respectively. These losses more than wiped off the profits they had earned earlier in the year. Detroit's total loss in the first nine months of 1981 amounted to $1 billion.

The gloom is compounded by the fact that the new model year which began in October is off to a disastrous start. Sales in October plunged to the lowest level in 23 years and was 31 per cent below last year's depressed rate. The automakers are scaling down their sales projections and cutting back their production schedules, resulting in plant closing and layoff of workers. They have already laid off 175,245 workers indefinitely, and more layoffs with further production cutbacks appear inevitable, in the coming months. The 10-month sales of US-built cars in 1981 are shown below with comparable figures for last year :

(In thousands)

		1981	1980
GM	..	3450.0	3623.6
Ford	..	1176.3	1145.3
Chrysler	..	672.5	577.7
VW	..	153.8	174.9
Total*	..	5452.6	5521.4

*Excludes American Motors Corp whose figures are not available.

Automakers have scheduled their production for the further quarter of 1981 at a level which is 13 per cent below last year's depressed rate and is only three-fifths of the record volume of cars produced in the fourth quarter of 1973. General Motors has been so disappointed by the customer reaction to its new models that, contrary to its established practice, it has decided not to make any sales forecasts for the coming year. "There are too many economic uncertainties", said a GM Vice-Chairman; and as an example, he specifically referred to the interest rates. It would, in his opinion, be almost like saying, "You tell me what the interest rates are, and I'll tell you what the car market's going to be."

Chrysler Chairman Lee A. Iacocca has been even more emphatic on this point. He has, indeed, every reason to feel chagrined. For, just when his firm put out its compact K-car of high promise and was about to turn the corner after its near-brush with bankruptcy, it was hit hard by the soaring interest rates. Recently, speaking to Canadian businessmen, Mr Iacocca said that in his opinion three things stood in the way of an automotive comeback : "Interest rates. Interest rates. Interest rates."

That high interest, because of its adverse effects on buyer sentiment, has badly hurt auto sales, cannot be denied. But to put all the blame on this factor and to single it out as the sole villain of the piece, as Detroit has been doing for months, is surely an exaggeration. Much of the fault falls on the industry itself—its past policies and its pricing pattern. Appraisals on consumer attitude conducted by the much-esteemed Survey Research Center of the University of Chicago, show that 20 to 25 per cent of those questioned indicated that high interest rates were, indeed, a factor swaying their car-buying decision. But the same surveys as well as others leave no doubt that the prime reason dissuading potential customers from buying new cars is "sticker shock", the shock caused by the high priced stickers they carry.

Hike in Prices

Prices of domestic cars have been going up relentlessly for the last three years. Their cumulative effect is not hard to imagine. The average selling price of a new car today, according to the National Automobile Dealers' Association, is $8,900. A decade ago it was $3,730. In the last year alone prices have gone up more than $1,000 for the average car. The average price of GM's 1982 models is appreciably higher, namely, $11,300. When a prospective buyer walks into a dealer's shop, looks at the price sticker and finds that he has to pay about double of what he paid for the last car he bought only a few years back, he instinctively shrinks back from making a commitment.

High interest of course pushes up the effective cost of a car substantially higher. Three years ago it normally cost 11 per cent to finance a new car; today the carrying charges have gone up to 18 per cent. A buyer of a relatively modest small car costing $8,200 ends up by paying $11,572 for it on a four-year contract, according to a Detroit dealer. And even this figure includes $1,600 as trade-in allowance !

Complaining against high interest rates, Mr Iacocco told some Reagan administration officials in October that the industry would remain depressed until interest rates dropped to 15 per cent. However, such a rate drop is unlikely to bring about a turnaround for Detroit. Today's high car prices coupled with a 15 per cent interest as carrying cost, are almost certain to prolong its agonies. As a Merrill Lynch auto analyst rightly points out, the consumer does not want to commit himself to "four year of those high car payments" when he is "uncertain of the outlook for business, for inflation, for his own job."

The worst dilemma Detroit has been wrestling with and which continues to cloud its future, comes from abroad—from Japanese competition. Imports of Japanese cars rose at a dizzying pace; they accounted for 5.5 per cent of the US market in 1971, 21.2 per cent early in 1980, and today the percentage should be around 25. Even when the market has been shrinking in size, Japan has more than maintained its own share. What is even more surprising is the fact that it has done so even after the Big Three automakers have fielded several small cars—K-car, J-car, X-car and what not -specifically designed to roll back the imports from Japan. In fact, but for the policy of "voluntary restraint" Japan involuntarily adopted last year under heavy US pressure, its market share would probably have gone up even higher.

For, as things stand today, Japan enjoys some formidable advantages compared with the US automakers. To start with, it had decisive lead in small-car manufacture. Small in area, densely

Foreign Investment in Developing Countries

(Book value of DAC countries' overseas investment, end-1978*

Host Country	*US$ million*	*% of total*	*Host Country*	*US$ million*	*%of total*
Europe	**8,170**	**9.1**	Colombia	1,510	1.7
Greece	1,070	1.2	Dominican Republic	390	0.4
Portugal	560	0.6	Ecuador	6 0	7.4
Spain	5,700	6.4	Jamaica	900	1.0
Turkey	450	0.5	Mexico	6,000	6.7
Middle East	**1,220**	**1.4**	Netherlands Antillies	2,500	2.8
Iran	(1,000)	(1.1)	Panama**	3,140	3.5
Israel	1,000	1.1	Peru	2,150	2.4
Africa	**6,588**	**7.4**	Surinam	420	0.4
Algeria	385	0.4	Trinidad & Tobago	1,300	1.5
Cameroon	370	0.4	Uruguay	3 0	0.4
Gabon	780	0.9	Venezuela	3,620	4.1
Ivory Coast	530	0.6	West Indies	970	1.1
Kenya	520	0.6	**Asia/Pacific**	**23,000**	**25.8**
Libya	(6)	0.7	Brunei	300	0.3
Liberia**	1,230	1.4	Hong Kong**	2,100	2.4
Morocco	350	0.4	INDIA	2,500	2.8
Nigeria	1,130	1.3	Indonesia	5,760	6.4
Rhodesia	(300)	(0.4)	Korea	1,500	1.7
Senegal	340	0.4	Malaysia	2,680	3.0
Zaire	(1,250)	(1.4)	Pakistan	790	0.9
Zimbia	3 0	0.4	Papua-New Guinea	860	1.0
Latin America	**50,330**	**56.4**	Philippines	1,820	2.0
Argentina	3,340	3.4	Singapore**	1,900	2.1
Bahamas**	2,060	2.3	Taiwan	1,850	2.1
Bermuda**	4,300	4.8	Thailand	445	0.5
Brazil	13,500	15.1			
Chile	1,440	1.6	**Total**	**89,308**	**100.0**

*DAC (Development Assistance Committee) countries include, Austria, Belgium Canada, Denmark, Finland, France, Germany, Italy, Japan, Netherlands, New Zealand, Norway, Switzerland, UK and US.

**Offshore banking centre.

Note : Regional totals also include countries with investment below $300 million and not listed separately in this table.

(Business Internationl)

populated, with a volcanic configuration of land, and with no crude oil of its own—Japan had no choice but to rely on tiny and highly fuel-efficient cars. When, after a fifteen-fold jump in oil price in six years, a scramble for small cars developed, especially in the USA, Japan found a vast export market ready to absorb its products. The only limiting factor it faced was its own capacity to produce.

As it happens, conditions are just the reverse in the USA, a country of continental dimension with low density of population, vast distances to negotiate, and richly endowed with oil and other energy sources. No wonder that Americans should have developed "a love affair" with the automobile, something that the industry took good care to nourish and exploit. And as the nation grew in affluence and the country came to be covered with a fabulous network of highways with the railroads sinking into chronic neglect, the autos became bigger and costlier, also more luxurious and conspicuous gas-guzzlers. Gas was still so cheap and looked so abundant that very few believed there could ever be a problem with its supply.

First Shock

The first shock came in December 1973 when the price of oil was jumped four-fold almost overnight by the Shah of Iran. But the shock did not have much lasting effect. Affluent America took the increased oil price in the stride. Its love affairs with the big car pretty well survived the crisis. And the industry did its best to lull the public—and itself—into the complacent belief that the road ahead would be reasonably smooth.

Then came the second oil shock—after the revolution in Iran—when the price of crude oil leaped to $30 a barrel, and, horror of horrors, supplies dried up and long gas lines appeared in many parts of the country. This was a traumatic experience that could no longer be shrugged off. The era of small economy cars had finally arrived. The flood-gates were thrown open to Datsun, Toyota, and other Japanese vehicles. Detroit was plunged into the worst crisis it has seen since the Great Depression.

It will be no easy task for it to reverse this dismal trend. For one thing, the Big Three, unlike the Japanese auto manufacturers, are faced with extensive—and highly expensive—retooling programmes. GM has planned to invest additional $40 billion between 1981 and 1985, mainly for "downsizing" its products. Ford has already spent $8 billion on new products in the past four years, and has plans to invest another $12 billion by 1985. Even Chrysler, which is moving very cautiously intends to spend another $6.5 billion on new products by 1985. But the low level of production and sales have badly hurt their cash flow. The erstwhile financial giants are now plagued by financial problems. Nor are they able to raise much capital from outside when the bond market remains semi-paralyzed and interest cost on long-term borrowings runs to about 15 per cent. Ominously enough, the rating of GM's bonds has just been lowered one notch—from triple-A to double-A.

The automaker are thus caught in a vicious circle—to carry out their downsizing programme with essential retooling they must sell many more cars to raise the needed finance, but the high interest cost and the looming recession have dampened the demand for their products. In desperation, they have given extensive rebates to promote sales, hoping to unfreeze the pent-up demand estimated at 3.5 million cars, but so far without much success The spurt in sales triggered by rebates fades away as soon as the rebates are withdrawn.

Several Drawbacks

Finally, American automakers, compared with their Japanese counterparts, suffer from several other drawbacks. The US auto worker gets $18.50 per hour as wages plus benefits; his opposite number in Japan gets only $10. The GM Chairman calls the wage differentials "catastrophic". The total production costs of the average Japanese car imported into the USA are about $1,500 *below* the cost of a comparable vehicle produced domestically. The higher American pay accounts for about half of this amount.

The other half is due to a number of factors impinging on productivity. Japan produces a car with half as many people as are needed in the USA. An American company has 12 layers of management; Japan manages with only seven.

Then, there are the cost-of-living adjustments, or "COLA pain" GM's total labour costs jumped from $15.10 an hour in 1979 to $19.40 an hour in the second quarter of 1981, mainly because of COLA. The paid time off, too, has increased rapidly; it adds up to 41 days for the average worker at GM and Ford. The automakers have issued clear signals that they can no longer afford the present wage-and-benefit scales. Either these must be substantially reduced or they will be forced to close down plants, as they have already done to some extent, and arrange to produce more cars abroad The wage negotiations due next year with the United Auto Workers Union are likely to be unusually tough.

Question of Quality

Finally, there is the question of quality. For years the US automakers almost deliberately slighted quality—they mass-produced cars for quick obsolescence, rapid turnover, and massive profits. This short-sighted policy has now backfired. Here again, Japan has stolen an easy march over their US rivals. As prices of cars soared, buyers became increasingly quality-conscious and less prone to trade in their cars every two or three years; today they definitely give Japanese cars a higher quality rating. This self-inflicted wound will take time to heal.

Detroit has for all practical purposes written off 1982 as another no-win year. When it will see better days no one can foretell. Nevertheless, one must not underestimate the inherent strength of the US auto industry. Despite its past follies and its present seemingly endless woes, it is bound to emerge some day probably slimmer and trimmer, but also much stronger, to reassert itself and to challenge its rivals successfully both at home and abroad.

Detroit is waiting suspensefully for a break in the cloud while struggling to set its own house in order. As Mr Iacocca put it rather grimly, but quite aptly, "The trick is to make sure that you don't die waiting for prosperity to come."

Point of View

Needed: Moderation in Taxation

Virendra Agarwala

Moderate tax rates may initially result in smaller income for the Government but they will induce tax payers to work harder and longer to augment their post-tax receipts. The economy grows in response to the enterprise of the people willing to take risks and transform ideas into productive entities. Such investment policy should be followed as does not fuel the fires of inflation and the gap between the rising demand and rising money incomes is narrowed.

VICE-PRESIDENT Hidayatullah and Mr Justice P.N. Bhagavati have recently joined those who believe that the tax structure needs to be so formulated that the "desire to work, to save and to invest is not frustrated". High tax rates on rising income slabs reduce the desire to work at the cost of one's leisure because it adds only marginal gain and in certain cases practically nothing to his net income. If one is made to exist from hand to mouth, he can never be encouraged to save.

The need for simplification of the tax structure and quick disposal of tax cases is widely recognised. But no one knows why the Finance Minister has remained so hesitant to move in this direction. Taxation remains one of the most important instruments in the hands of the State for achieving social and political objectives. Taxation needs to be so employed that it produces not only a just society but also encourages the common man to engage in some productive activity. The Government has every right to collect tax by all means, but it has no business to spend the receipts recklessly. Tax rates need to be so rationalised that they would infuse confidence in the future and ensure incentives. The tax structure needs to be so well-thought of that no one feels tempted to evade taxes.

A frank acknowledgement of the true causes of inflation and the admission that these can only be brought under control upto a certain point may also clear the way for giving up deflationary policies which have virtually paralysed the economy. High inflation rate is largely due to heavy deficit financing by the Central and State Governments. But high tax rates are equally responsible for producing a high-cost economy. The solution lies in a severe fiscal and indeed political discipline among the State Governments in particular, which is hardly in evidence. Inflation can be controlled by curbing demand. The most effective method is to increase the annual growth in productivity in the country so as to close, as far as possible, the gap between the rise in output and the annual rise in money incomes. If raising productivity is the cardinal aim of policy then decision makers must concentrate on such an investment policy which slows down the growth of that output which fuels the fire of inflation. The cost of delays must also be taken into account. Moderate tax rates may result in smaller income for the Government but they induce tax-payers to work harder and longer to augment their post-tax receipts.

Ailing Public Sector

Whatever resources, we mobilise in the name of planned development, are being squandered unfortunately on the ailing public sector, which has been largely responsible for galloping inflation. The total public sector investment, excluding the railways and defence, is about Rs 18,000 crores. The taxpayers money is locked up in a sector which shows no signs of working profitability. Professional incompetence is not so much to blame as the conditions in which managers have to work. The bureaucratic attitude has curbed initiative, so much so that ability to respond quickly to changing economic situation—fluctuating raw material prices, for instance –has become rare. Most managers seem unaware of the fact that they are accountable to the people at large for the working results of their units. The worst they expect in the event of repeated failure to show profit is a transfer. Clearly, much more is required if proper use of public funds is to be ensured.

Personnel Training

The Planning Commission has emphasised personnel training as an integral part of a fresh effort to revamp the public sector. This is not enough. It takes little time for properly trained people to lose their initiative if forced to work in a cramped, unimaginative set-up. What is being widely appreciated is that Government's resources are being wasted by expanding the public sector. It is worth noting that Britain is thinking of reducing the monopoly powers enjoyed by a number of Government-run units. It is now allowing private entrepreneurs to compete more in hitherto protected spheres. It is high time that New Delhi revised its views on the public sector and made changes to allow more competition. It is not merely the question of utilising the capacity already created by public investment, but the larger question is that the Government should better concentrate on consolidating the economic gains on public investments so that the public sector units could be made to yield better results and the people by and large could have some return at least in the form of quality goods at reasonable prices. On the one hand, the public sector goods are being made costlier everyday, on the other hand, the public investments have not yet provided any significant return to the national exchequer.

The Finance Minister has been found rather reluctant to reduce the tax rate on the higher slabs of income. He had estimated the budgetary deficit at Rs 1539 crores on the expectation that bearer bonds would yield Rs 200 crores by March last and Rs 800 crores this year. But he had been able to collect only Rs 397 crores from this source. In a situation like this, he could hardly be expected to seriously consider any suggestion which could involve a revenue sacrifice. But the position has undergone a material change since then. The increase in the prices of petroleum and petroleum products would bring in nearly Rs 1,200 crores to the Central Exchequer. By raising the cash reserves liquidity ratio of commercial banks, nearly Rs 800 crores have been immobilised. These funds would have to be invested in Government securities. It is also widely appreciated that a rigid credit control policy is essential to check the flow of excessive money supply when the economy is in the grip of run-away inflation. But steps have to be taken to ensure that genuine productive ventures do not suffer for dearth of bank credit. More so when the Government's policy is to combat inflation through increased supplies of goods and services and stimulating savings for investments.

The Finance Minister is now willing to reduce further the income-tax rates on both corporate and non-corporate sector and he has even agreed to examine the suggestion for raising ceiling limits on retirement gratuities and review the rules for valuation to perquisites received by employees. The Choksi Committee had expressed the opinion that high tax rates encourage tax evasion. But it is the honest tax-payers who are penalised for the Government's failure to bring to book the tax dodgers. It is almost certain that instead of any revenue loss, the tax yield would go up much higher as past experience shows. The Choksi Committee had come to this conclusion. The risk is worth taking if galloping inflation is to be brought under control. So many ordinances have been issued but they have proved counter-productive. If the Government had issued an Ordinance lowering income tax rates, that could have certainly produced the desired results. It could have released such creative energies as would have helped in expanding the industrial base and enlarging supply of wage goods which could have certainly kept the price spiral well under control.

In short, what the economy needs is freedom. Freedom from price and investment controls and freedom for people to earn profits legitimately and to plough these back openly in the industrial ventures in the leigitimate economy. This freedom can be effectively exercised only when the tax structure is so evolved that it encourages the common man to engage himself in productive employment.

Whatever the Vice-President has suggested for a cut in tax rates has gladdened the hearts of those who feel committed to accelerated growth. The fiscal history has proved that an increase in tax rates always leads to less revenue not more. The crucial source of creativity and initiative in every economic system is the individual investor. Economies do not grow of their own accord or by dint of Government influence. They grow in response to the enterprises of people willing to take risks, to transform ideas into practical productive entities. Experts and layman alike have lauded the Vice-President's observation and if the Government is keen to contain price inflation, there no other alternative but to translate this laudable plea into specific action. The earlier it is done, the better it would be to create a new atmosphere for accelerating the pace of industrial growth.

Marketing Research and Futurology

Sridhar Seetharaman

Marketing research, an applied science, will have far-reaching effects on product manufacture. Modern analytical methods hold potential for making timely or correct decisions on solving problems of great complexity. It is only through a correct anticipation of future developments that progress can be made and success realised. To enable retention of leadership in the competitive field of marketing, proper anticipatory market research is essential. Given this environment and considering the far-reaching changes that could take place in every field of product manufacture, marketing research has a vital role to play in any future sales promotion strategy.

MARKETING RESEARCH is systematic gathering, recording and analysing of data about problems relating to the marketing of goods and services. Marketing research, in an organised manner, seems to have been pioneered by Charles C. Parlin, who started a marketing research department around 1910 in the Curtis Publishing Company. His idea was that advertising space could be sold more effectively by presenting organised market data to prospective advertising buyers.

According to Kotler (1976), marketing research aims at predicting something lying in the future. It is concerned with "happenings and data which report on current events and developments that foreshadow significant future changes".

Market research is an applied science. The major benefit is risk reduction. Through the recognition of problems and the kind of decisions that must be made, managers can seek information that will aid in making those decisions more effectively and efficiently; no less importent is the need to provide for 'opportunity assessment'.

Since the future is where we will be living, a peep into it on a number of issues that affect marketing research would be useful.

Certain new horizons will have a tremendous impact on the conduct of marketing research in the future. These developments include environmental marketing, use of marketing research in the formulation of public policy, new communication techniques *etc.* Depicted in the chart form (see next page), this can be illustrated as below:

The monitoring of the environment around us may be mundane and descriptive, but in the future survival of business, it will be the most important determinant of a company's survival.

Exploring the uncontrollable factors or variables that affect future decisions is increasingly a task for marketing research, particularly among business corporations and especially the large multi-national corporations, as they establish strong operating objectives. The environments that will be monitored include the economic, social, cultural, political and legal support, campetition and technology.

The economic environment will continue to be the major field of concern to marketing researches. In the planning of marketing, factors such as gross national product (GNP), growth ratios, employment levels, income and price trends are very important. In fact, they will be the super-structure upon which the magnificient edifice of marketing research will be built. Keeping up to date on these factors and interpreting them will be within the jurisdiction of this fascinating field of marketing research.

Attention of great magnitude in the future will be focussed on socio-cultural variables. Socio-cultural variables have revealed eroding confidence in corporations' leadership and ability to balance profit with service to the consuming public.

Recognising this vital aspect, the younger generation is failing to support private industry, while favouring greater governmental regulation. Monitoring in the political and legal arena is needed to anticipate new restraints and identify new market opportunities. Monitoring by marketing researches can enable the manufacturers to take timely action to prevent violations or to capture opportunity.

Support monitoring refers to the institutional structure supporting manufacturers' delivery to ultimate buyers with distributional channels and provision of safety requirements.

The competitive environment is more dynamic and more competitive than support environment and is closely linked to it. Marketing being a dynamic subject and as the monopolistic competition is likely to reign supreme, as the trend suggests, a company's actual competition would change in nature, intensity and identity of who is competing over a period of time. Changes in competitive nature needs to be anticipated through the bewitching nature of marketing research so that the firm's marketing mix could be adjusted promptly to derive the maximum benefit. Identity may change in more than one way. When there is vertical integration in the distributive trades erstwhile manufacturers start to cooperate.

Technological environment is and shall continue to be a vital factor in assessing marketing trends. Marketing research, according to Day (1975)** should be on the look out for developments that spell new opportunities or threats to existing products. Efforts would have to be made to effect changes or make modifications to stay in the competition channel. These have to be done depending upon environmental changes. Environmental changes can occur in several fields and it is the responsibility of marketing research to monitor marketing implications. Marketing research will thus, in the future, assume greater and larger responsibility for these kinds of ongoing as well as anticipatory research analyses.

The application of marketing research in public policy decisions will, in the future, increase. There will be, according to Wilkie and Gardner (1974), a growing use of regulatory public policy and functional public policy. Wilkie and Gardner point out that "marketing research should lead in the formulation of public policy". They feel that the topics for future research in marketing and in regulating public policy would be as indicated below :

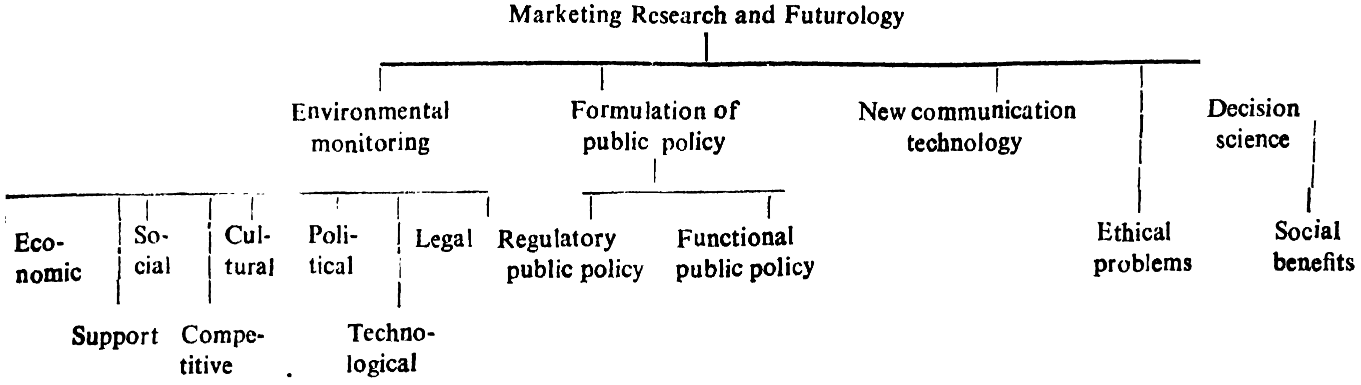
A. Programme Priorities
    1. Consumer environment descriptions
    2. Models for resource allocation
    3. Social cost/benefit measurements
    4. Structural versus trade practice remedy.

B. Stimulus Research
    1. Advertising effects
    2. Personal selling and promotion
    3. Pricing
    4. Product quality
    5. Guarantee and warranty.

C. Response Research
    1. Product information
    2. Consumer education.

D. Product and Segment Research
    1. Special markets
    2. Specific products and services

The authors suggest in the above model, a listing of research areas that are susceptible to marketing research. It is suggested that corrective advertising remedies at present do not sufficiently consider the residual effects of deceptive advertising, media selection and schedul-



ing budget and instead copy elements in their attempts to most effectively eradicate the injustice.

In case of regulatory public policy, we refer to the research of regulatory agencies of at the Centre as well as the State. The regulatory public policy covers issues such as the extent of consumer involvement, their attitudes towards marketing, consumerism, governmental regulations and rules on how to regulate these attitudes.

The term "functional public policy" was first proposed by Brent Ritchie and Roger J. LaBreque in 1975. This refers to the marketing research conducted by those agencies engaging in conferring goods and services and marketing research conducted by public agencies to support their programmes.

Natural Research

Examples of first type are the work done by the departments of natural research in the provision of recreational facilities, public health agencies in health care services and boards of education in the supply of educational services. The second type includes studies conducted by the Department of Health and Family Welfare and Department of Education and Department of Labour Welfare to develop social indicators to be used to evaluate programmes for renewal and those by the State Department of Commerce for the specific purpose of luring new industries to their areas or to establish trade offices.

Functional public policy starts with "need identification" which is the fundamental principle governing the field of marketing research in particular and marketing as a whole in general. The delivery programmes where goods and services are supplied or where programmes are seeking justification, the details are developed in terms of the identified need. If the purpose is to justify a programme, the programme results are compared with the researched need and appropriate adjustments made.

The most dramatic development in the future will be in the field of communication technology. One could witness changes of great magnitude in some of the new developing technology such as in telephone interviewing and fibre optics.

The possible uses of these devices range from participatory democracy through political referendum and in-house purchasing to simplified marketing research field enquiries. In the realm of marketing research, field work can be completed quickly and still earlier in the future. Spot checks of in-house inventories would replace the consumer diary system.

Another area of considerable significance is market sensing and optical scanning. Development in the field could lead to far reaching programmes which market management in the field of computors should consider.

Ethical problems could seriously threaten the relationship between marketing research and those it serves. Ethical codes should be adhered to and it is this strict adherence, rather than anything else that will play a significant role in the future. Moreover, this scrupulous adherence is a prerequisite to the health of the marketing research profession.

Decision science needs to be vastly advanced for marketing research to achieve its possible benefits to society and/or to the firms and agencies employing them. Organisations that are now formulating their decisions and using explicit models properly are showing the way toward optimal use of data and of computers. Experimentology will be widely used in the future.

The potential societal benefits are enormous, long lasting and important. These could be realised only when enterprises do not use these findings as keys to the manipulation of buyers. Marketing research, when so employed, should serve to mutual advantage.

In short, marketing research has a bright and glorious future. Therefore, in the future, there is a distinct hope for marketing research to be called a science of its own, which could be defined in the following way, as suggested by Buzzell (1963) – "A classified and systematised body of knowledge, organised around one or more central theories and a number of general principles ....usually expressible in quantitative terms....which permits the prediction (and under same circumstances, the control) of future events....as applied in the planning and direction of marketing".

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NOTICE

Due to increase in foreign postal rates the foreign subscription rates of EASTERN ECONOMIST have been revised as follows :

ANNUAL (Surface Mail) : $ 50 or £ 25

CHIEF EXECUTIVE

Focus on Industry

Newsprint from Bhadravati

AT BHADRAVATI, the Mysore Paper Mills' Rs 145-crore project for expansion of the existing mill from 24,000 t.p.a. to 37,000 t.p.a. cultural paper and the manufacture of 75,000 t.p.a. of newsprint is on the threshold of formal commissioning. Huge conveyor galleries span the horizon for conveying 2.3 lakh tons of chipped bamboo and eucalyptus to the pulp mills, where 1.5 kms of conveyor belts are ready for transporting 700 t.p.d. of coal to three high pressure stoker fired power boilers. Six sluice gates at Bhadra river allow about 20,000 gallons of water per minute through the raw water intake pumps. Water passes through the 900 mm diameter pipeline to the aeration cascade and out in a fountain through the central pier of the water treatment plant. At one end of the project is located the sophisticated Rs 2 crores effluent treatment plant.

The landscape at Bhadravati is changing every day. The old mill which started in 1936 with a small capacity of 4000 t.p.a. with one machine and expanded to 24000 tonnes in 1976 looks dwarfed in comparison and perhaps one forgets that it has continued with its production of 24,000 t.p.a. cultural and industrial papers. This mill is now expanding to 37,000 t.p.a.

Two cranes to lift the wood from the stock yard to the chippers have been erected. The chippers, rechippers, screens and conveyor system are in position. For chipping bamboo, there are two imported high capacity drum type chippers, each with a capacity of 20 tonnes per hour. Four vertical disc type chippers supplied by Gwalior Rayons Ltd will chip eucalyptus, and one disc type chipper with a 60 t p.d. capacity will handle hardwood.

The centralised chipping facility will prepare, store, and segregate chips in terms of bamboo, hardwood and eucalyptus to feed the old mill with hardwood and bamboo, and the newsprint mill with bamboo and eucalyptus. Huge conveyor belts, to carry chips generated from the three streets of chippers into the central chip silo and from there in requisite proportions to the end using stations, have been erected. For the first time in India, a highly sophisticated pulping plant, the cold soda refiner mechanical pulping systems (CSRMP), yielding about 82 per cent as against 40 per cent on wood by conventional methods, has been installed.

In the newsprint mill, bamboo chips will be fed to the chemical pulp mill and eucalyptus chips to the high yielding CSRMP unit. The chemical pulp mill has a capacity of producing 140 t.p d. of bleached kraft pulp from bamboo. The pulp, after undergoing four stages of bleaching and subsequent washing, will be stored in a high density chest before being drawn in the required proportion to the stock preparation plant.

In the CSRMP plant, eucalyptus chips, washed in situ, will be conveyed pneumatically to a pre-steamer on top of the M&D soaker through which they will be soaked with the requisite quantity of sodium hydroxide. After due impregnation and adequate reaction time in the live bottom bin, the chips would be conveyed through a bucket elevator to two pressafiners where consistency will be increased to 50 per cent.

The chips will then be conveyed through a set of three double disc refiners into a single stage down stock washing facility and through another set of two double disc refiners to complete the formation of fibres. After this, the stock will be diluted for onward transmission to a high consistency screening operation, thickening and further for bleaching in two stage high consistency hypochlorite towers. The bleached pulp will be further washed and stored in a high density tower before being drawn in required proportion, to the stock preparation plant. The continuous stock preparation plant with 10 double disc refiners will refine chemical pulp and CSRM pulp in separate streets after which they are blended in required proportion normally at 30 per cent : 70 per cent of chemical pulp and CSRM Pulp.

The stock will enter the machine chest where requisite amount of additive, dyes, etc as required are to be added. Passing through the final brushing, refining stage, the stock will go through pressure screening and centrifugal cleaning operations before it enters the conver*flo* headbox on the paper machine.

A polydisc filter enables useful fibres to be recovered from the white water of the paper machine, and recirculated. The head box discharges stock into a wedge formed between the two plastic wires run in the Bel Baie II Former of the 320 t.p.d. Beloit-Walmsley machine with a deckle width of 7.1 mtrs at speeds of 600-750 metres per minute, where. the web is formed continuously. This is further processed through stationary dewatering elements in the Bel Baie, in a tri-nip press to remove more water by mechanical means The web is dried through four sets of dryers in the drying section comprising 35 cylinders of 1.5 metre dia. before the paper is calendered and wound on the pope reeler. This extensively automated machine is geared to produce newsprint of 50-52 gsm. A feed back arrangement continuously indicates basic weight and moisture profile across the web.

The paper rolls on the pope reel are processed through a Beloit-Walmsley rewinder for uniform winding and splitting into required sizes of reels and passed on to the automatic roll wrapping machine of Buma which wraps them at a rate of one reel per minute.

Steam is to be tapped at two intermediate pressure stages viz., 14 ata pressure for the digester house and 6 ata pressure to the evaporator house and all the paper machines. The condensate recovered is supplemented with deareated demineralised water from the water treatment plant and used as boiler feed water make up.

The water treatment system with a daily capacity for 175 million litres in two streets has been installed and has been commissioned a few months back.

STATE OF THE ECONOMY

New Loans

THE GOVERNMENT of India have announced the issue of the following two loans aggregating Rs 400 crores.

(i) 6.25 per cent Loan, 1987 (Second Issue) to be issued at Rs 100.00 per cent and repayable at par on April 27, 1987.

(ii) 8.00 per cent Loan 2011 (Fourth Issue) to be issued at Rs 100.00 per cent and repayable at par on April 27, 2011.

Subscriptions to the above loans will be received in the form of cash/cheque or securities of 5 per cent National Defence Loan, 1981 which will be accepted for conversion at par.

Subscriptions will be received only on December 21, 1981 upto the close of banking hours. In the event of a holiday being declared by any State Government under the Negotiable Instruments Act, 1881 on that day, the subscriptions will be accepted at the concerned receiving offices in that State upto the close of banking hours on the following working day. Government reserve the right to retain subscriptions upto 10 per cent in excess of the notified amount of Rs 400 crores.

If the total subscriptions received for the loans exceed the notified figure plus the amount of 10 per cent retainable as aforesaid, partial allotment will be made in respect of the cash subscriptions received on a proportionate basis and the balance refunded in cash as soon as possible.

Interest for the period from December 21, 1981 to April 26, 1982 (inclusive) on both the loans now issued will be paid on April 27, 1982, and thereafter interest on these loans will be paid half-yearly on October 27, and April 27.

Interest on the securities of 5 per cent National Defence Loan, 1981 tendered for conversion will be paid at the rate of 5 per cent per annum upto and inclusive of December 19, 1981. In addition anticipatory interest will also be paid according to the rate of interest of the new loan applied for i.e. 6.25 per cent or 8.00 per cent per annum, as the case may be, for one day, viz., December 20, 1981 at the time of issue of the new securities.

Tax Exemption

Interest on the loans now issued together with interest on other previous Government securities and income from other approved investments will be exempt from income-tax subject to a limit of Rs 3,000 per annum and subject to other provisions of Section 80L of the Income-tax Act, 1961. The value of the investments in the loans now issued together with the value of other previous investments in Government Securities and the other investments specified in Section 5 of the Wealth Tax Act will also be exempt from the wealth tax upto Rs 1,50,000.

Applications for the loans will be received at :

(a) Offices of the Reserve Bank of India at Ahmedabad, Bangalore, Bombay (Fort and Byculla), Calcutta, Hyderabad, Jaipur, Kanpur, Madras, Nagpur, New Delhi and Patna; and

(b) branches of the State Bank of India at all places in India except at (a) above.

Indo-EEC Workshop on Jute

The Managing Directors of five leading European carpet manufacturers are among the dozen representatives of the carpet industry and trade in Europe who came to this country to participate in the three-day jute workshop which was opened in Calcutta on December 9.

The European Association for Trade in Jute Products was also represented at the workshop.

The workshop provide Indian manufacturers and trade invaluable opportunity to promote jute carpet backing in Europe, as the firms taking part were trend-setters, given the size and quality of their production.

Efforts to increase exports are already meeting with some success. India's share in EEC's imports of jute manufactures amounted to 42 per cent last year, followed by Bangladesh (27 per cent). Although 1979 was a poor year, EEC imports from India rose by nearly 26,000 tonnes in 1980, followed by Thailand (6,000 tonnes) and China (4,000 tonnes),. Bangladesh trailed with under 500 tonnes.

Mr Teji Sahni, who is responsible for jute exports at the India Trade Centre has been doing exceedingly good job by persuading the key figures in Europe to try to replace foam and synthetic backing by jute carpet backing. He has made considerable effort to bring the Indian and European dealers to discuss the subject in more informal atmosphere.

The three-day workshop tried to identify the long-term perspective for jute in a highly demanding but rich market and also the action areas to promote the use of jute carpet-backing and yarn by European carpet manufacturers.

Inaugurating the workshop, Mr A.K. Mukherjee, Joint Secretary to the Union Commerce Ministry, said it would be a 'gigantic task' to win back the market which jute earlier lost to synthetics.

Referring to a report on the EEC market prepared by the Chairman of the Indian Jute Mills Association, Mr G. Sivaraman, Mr Mukherjee said that presently jute had a share of only nine per cent in secondary backing and a negligible 2.3 per cent in primary backing. The present situation might look dismal, but Mr Mukherjee thought that with the relaxation of import restrictions by the EEC, the scope for raising the export of jute goods by India had improved.

The Deputy Jute Commissioner, Mr D. Gupta, said the forum provided by the workshop could be institutionalised so that the dialogue took place on a 'continuing basis'. Economic recession and competition from synthetics might have kept jute down in Western Europe, but given new methods of market promotion the Indian industry could develop a firm market there.

Rupee-Pound Exchange

The Reserve Bank of India on December 11, announced 0.86 per cent upward revision of the rupee against sterling to give a new middle rate of Rs 17.40 to the Pound from the previous rate of Rs 17.55. The new buying and selling rates for spot delivery are:

Buying : £5.7604 per Rs 100 (corresponding to Rs 17.36 sterling.)

Selling: £5.7339 per Rs 100 (corresponding to Rs 17.44 per sterling).

The rupee-sterling rate was last adjusted on December 10, when rupee was upvalued by 0.57 per cent. This is the third upvaluation of rupee within seven days.

IMG Fever Meter

A Delhi firm, International Management Group, has started marketing an unbreakable, 15-second thermometer, based on "liquid crystals" technology. Called IMG Fever Meter, it can be used thousands of times and does not need shaking down. The readings are easy as the body temperature can be found out by this meter from the forehead. It is safe and hygienic: it does not carry germs from one patient to another.

The IMG Fever Meter is particularly ideal for infants, children, unconscious patients, the aged, the mentally ill and epilepsy patients.

The firm has also developed and supplied to the Indian Space Research Organisation another product called "Temperature Spy" for failure analysis of critical components. Yet another product being manufactured by it is a room temperature meter. These two products too belong to the surface thermometer range which is gaining rapid dimensions in some of the highly developed countries. The fever thermometer, for instance, was introduced in the United States just about three years ago and is being extensively used in the medical profession.

Interestingly enough, the equipment for IMG's manufacturing activities has been produced locally. Only liquid crystals are being imported. Their indigenous manufacture may start in none-too-distant a future as their application grows.

States Income

The Planning Minister, Mr S.B. Chavan, made a statement in the Rajya Sabha giving estimates of per capita income in the country and in different States and Union Territories during 1977, 1978, 1979 and 1980.

The details are :

Per Capita Net State Income and Net National Income (At current prices in rupees):

State/Union Territory	1977 (@)	1978 (@)	1979 (@)	1980 (@)
Andhra Pradesh	895	1018	1083	1176
Assam	846	912	953	960
Bihar	700	728	773	—
Gujarat	1349	1462	1505	1623
Haryana	1466	1600		—
Himachal Pradesh	1029	1178	1295	1317
Jammu & Kashmir	887	986	1145	—
Karnataka	999	1129	1136	1267
Kerala	949	1004	1091	—
Madhya Pradesh	754	900	860	828
Maharashtra	1505	1637	1694	1903
Manipur	765	808	814	822
Meghalaya	—	—	—	—
Orissa	659	820	860	843
Punjab	1812	1966	2088	2278
Rajasthan	899	969	1023	913
Tamil Nadu	972	1051	1116	1350
Tripura	831	862	861	-
Uttar Pradesh	834	949	965	981
West Bengal	1212	1263	1253	1330
Delhi	2180	2310	2445	–
Goa, Daman & Diu	1791	2000	2174	2426
Pondicherry	1718	2021	—	—
All India	1094	1210	1267	1379

Figures relate to financial year ending March.

DEPARTMENT OF ATOMIC ENERGY

Directorate of Purchase and Stores

On behalf of the President of India, the Director, Directorate of Purchase and Stores, Department of Atomic Energy, Bombay-400 001, invites tenders as detailed below :—

1. DPS : AMD : CAP : 553 due on 2.1.82. Supply of DTH Drilling Accessories of suitable quality in different types as per purchaser's specification.

2. DPS : TAPS : ENG : 2753 due on 4.1 82. Travelling Screen Basket as per drawing and tender specifications. Qty. 60 Nos.

3. DPS : R-5 : ENG : 663 due on 11 1.82. Fabrication and supply of Buggy sheaves assemblies, as per drawing and tender specifications. Qty. 40 Nos.

4. DPS : BARC : ENG : 15237 due on 12.1.82. Graphite Electrodes with nipples as per tender specifications. Qty. 56 Nos.

5. DPS : NAPP : PPED : ENG : 278 due on 13.1.82. Fabrication of lead filled S.S. box as per drawing and tender specifications. Qty. 7 Nos.

6. DPS : TAPS : ENG : 2752 due on 14 1.82. Fabrication and supply of Trash Rack as per drawing and tender specifications. Qty. 3 Sets.

7. DPS : RRC : IEE : 1054 due on 14.1.82. Battery operated, compact and portable electronic low-load ultrasonic hardness tester with digital hardness display along with necessary accessories as per purchaser's specification. One Unit.

8. DPS : HWP : ENG : 1362 due on 15.1.82. Fabrication and supply of aluminium liner for metallic gasket, bi-conial gaskets, metallic gaskets, etc. as per drawing & tender specification. Qty. 22 Nos.

9. DPS : NFC : ENG : 477 due on 20.1.82. Inconel Springs as per drawing and tender specifications. Qty. 20,000 Nos.

10. DPS : PPED : ENG : 1590 due on 21.1.82. Manufacture, testing, supply & guarantee of steel reinforced rubber hoses as per drg. and tender specifications. Qty 150 mtrs.

11. DPS : BARC : MIA : 15783 due on 21.1.82. Logic Analyser with built-in CRT display having 32 data channels, internal clock frequency 100 MHZ etc. 1 No.

12. DPS : NAPP : PPED : FAB : 157 due on 22.1.82. Design, preparation of shop drawings, manufacture, inspection, assembly, supply, crating, guarantee and delivery to Narora Atomic Power Project Site of Sampling Cabinets and De-denteration Drum plugs as per purchaser's tender document.

13. DPS : PPED : MIA : 690 due on 22.1.82. Annunciator with hooter assembly with 18 points having window size 50 mm x 30 mm in group of 6 x 3. 11 Nos.

14. DPS : HWP : ENG : 1462 due on 25.1.82. Asbestos rope of 6 mm dia. in roll of 30 mtrs. for giving fire protection to PVC Cable as per tender specifications. Qty. 4000 Rolls.

15. DPS : BARC : MIA : 15782 due on 25.1.82. 32 Channel Analog to Digital Converter. Qty. 1 No.

Tender documents priced Rs. 10 each for items 7, 11, 13 and 15; Rs. 25 each for items 3 to 6, 8, 10, 12 and 14; Rs. 35 each for items 2 and 9; Rs. 100 for item 1 and General conditions of contracts priced 50 P. to all items except item 12 can be had from the *Finance and Accounts Officer, Department of Atomic Energy, Directorate of Purchase and Stores, 3rd Floor, Mohatta Building, Palton Road, Bombay-400 001*, between 10 a.m. to 1 p.m. on all working days except on Saturdays. Import Licence will be provided only if the items are not available indigenously to all items except items 11, 12, 13 and 15. Tenders will be received upto 3 p.m. on the due date shown above and will be opened at 4 p.m. on the same day. The right is reserved to accept or reject lowest or any tenders in part or full without assigning any reasons.

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Borlaug Award

Dr R.S. Murthy, Director of the National Bureau of Soil Survey and Land Use Planning at Nagpur has been selected for the Boriaug Award for 1980.

A devoted researcher who has spent over 25 years in the field of soil science research and land-use planning, Dr Murthy's contribution in the area of resource inventory is of great value for efficient utilisation of soils as a basic resource.

Dr Ramaswamayya Shankara Murthy's work in transfer of agricultural technology to dryland farming areas is well recognised.

He is the President-elect for the agricultural sciences section of the 69th session of the Indian Science Congress Association to be held in Mysore in January next.

The Borlaug Award carries a handsome gold medal, a cash prize of Rs 10,000 and a citation.

The eleventh annual Coromandel Lecture instituted by Coromandel Fertilisers Limited, which also instituted tne Borlaug award, has "A time for rainfed agriculture" as its theme.

Dr Leslie D. Swindale, Director-General of the International Crops Research Institute for the Semi-Arid Tropics (ICRISAT), delivered the Coromandel Lecture and Sir John Crawford, Chancellor, Australian National University, presided over the function held on December 10.

Retail Aluminium Prices

The Union Government has raised the aluminium prices at the retail level by between Rs 36 per tonne and Rs 187 per tonne with effect from December 3, 1981.

This follows the Government decision to raise the retention prices of aluminium for the industry by about Rs 2,469 per tonne on an average.

In a complicated package of incentives to enable the domestic aluminium industry come out of its high input costs problem, the Government has reduced the excise duty on aluminium to between 22 and a little over 23 per cent for each tonne of metal from the earlier across the board excise duty of 44 per cent.

On the other hand the Government had made an upward revision in the customs duties on the import of aluminium, though insignificantly to 52.5 per cent from the earlier level of 52.2 per cent.

In this case the Government has for the first time clamped an import duty of 15 per cent and raised the auxiliary duty to 10 per cent from the earlier level of five per cent. However, as a balancing exercise it has reduced the countervailing duty to 22 per cent from the earlier level of 44 per cent.

In the case of the domestic metal, the Government reduced the excise duty to 22 per cent in the case of commercial grade ingots to about 23 per cent in the case of electrolytic grade and to 23.1 per cent in the case of wire rods from the earlier level of 44 per cent.

However despite the substantial reduction in the excise duties, the retail prices of all these products have been increased following an increase in the retention prices.

As such, under he new price formula, the prices of commercial grade aluminium ingots have been raised to Rs 18,679 per tonne from the earlier level of Rs 18,492 per tonne.

The excise duty in this case has been reduced to Rs 3368 per tonne from the earlier level of Rs 5650 per tonne.

In the case of electrolytic grade aluminium the prices have been raised to Rs 18,801 per tonne from the earlier level of Rs 18,636 per tonne though the excise duty has been reduced to Rs 3390 per tonne from the earlier level of Rs 5694 per tonne.

Plea for Indirect Tax Exemption for Exports

The Indian Institute of Foreign Trade (IIET) has highlighted the importance of exempting export products from indirect taxes at all levels. This practice, it says, may be started with 100 per cent export-oriented units.

Extensive use of the indirect tax exemption system for export products can largely dispense with cash compensatory support and the duty drawback, IIFT suggests.

Similarly, it has stated that all purchase and sale transaction connected with exports should be exempted from sales tax. Necessary amendments should be effected in the Central and State tax laws in this connection.

In a detailed study on indirect tax exemption system for exports, the institute points out that as per the internationally agreed practices followed by different countries, the export sector is to be exempted from all indirect taxes. This is to ensure that India's exports products "are not rendered less competitive as against supplies from other competing sources. Remission is to be granted for all indirect taxes entering into the cost of export products through proper system of exemption and refund." The institute's study is based on the experiences of Brazil, Korea, Japan and India.

Regarding the payment of duty drawback, it is suggested that the indigenous and imported inputs used for export products, along with the wastage involved, should be specified from time to time by the DGTD.

This could be done at least twice a year in case of selected products where the technical growth rate

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is high. This would reduce the time spent by the duty drawback directorate in checking the details regarding the use of duty-paid material for export products.

About manufacture-in-customs bond, the institute feels that this facility should be made more attractive to the manufacturer-exporters through simplification of documentation formalities, less rigorous physical control and reduction in the cost of supervision and control system.

Similarly, IIFT feels that the present system of granting temporary duty exemption in respect of imported inputs and components used for export production, should be extended to more product groups.

Other suggestions are: production of goods for export or their tranfer from manufacturers to exporters, should be exempted from production tax or purchase levy imposed by the local bodies, the system of free trade zones need to be further strengthened by the added attraction of direct tax concessions as well as facilities for repatriation of profits up to a reasonable return—to the foreign collaborators; permission to sell waste and seconds in the domestic market on payment of duty should be granted, and in each zone arrangement should be made to provide supporting service to the production units.

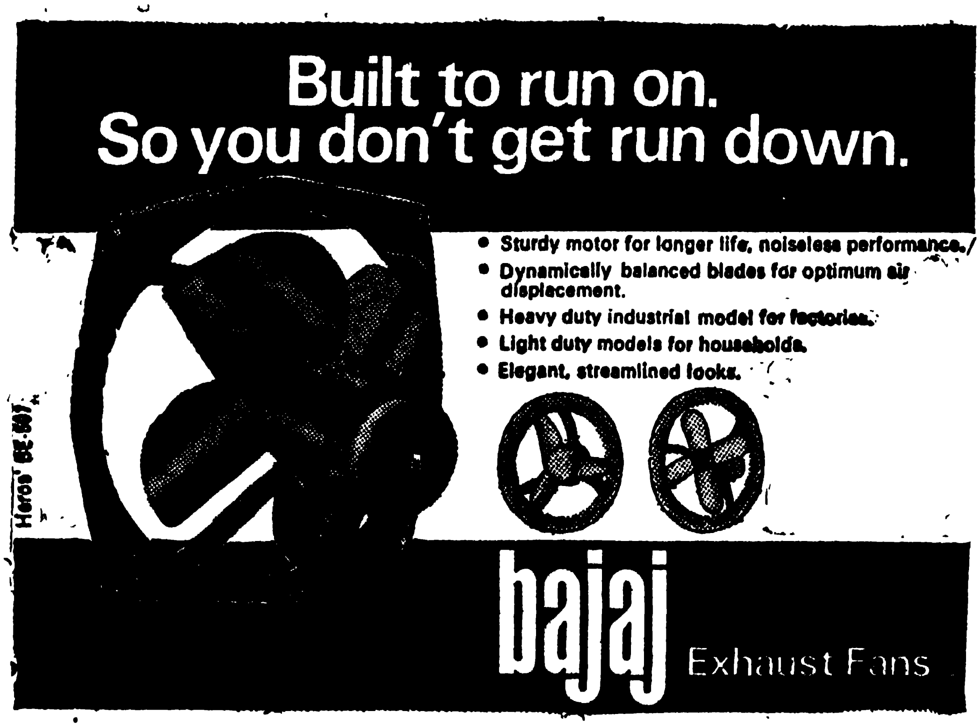
Export Efforts

Mr Pranab Mukherjee, Union Minister of Commerce, Steel & Mines, recently stressed the need for giving greater attention to developing countries as far as country's export effort was concerned. He said that it was particularly necessary, in view of the serious constraints being faced by India following recessionary trends in the world market and protectionist tendencies being persued by the developed countries. He was addressing the first session of a workshop on Africa.

Mr Mukherjee said that the African Continent had tremendous growth potential and almost unlimited economic opportunities and India possess capacity to meet their requirements in the initial stages of their development in every way including equipment, machinery and a host of engineering goods and variety of consumer items. He, however, felt that India's involvement so far had been only marginal, stating that out of our total global exports of about Rs 6700 crores, the share of the African market was only around 5 per cent. He was of the opinion that the basket of commodities being exported to Africa also did not reflect the potential that exists for expansion of trade and urged the concerned agencies and associations to make concerted efforts to secure an effective dent in the African market.

He said that India had certain inherent advantages as regards these countries both geographically and emotionally. India was also a signatory to the ARUSHA Declaration, according to which, India was committed to the principles of self-reliance through economic and technical cooperation amongst developing countries. He felt that excellent relations existing between these countries and India need to be translated into economic and trade links on a lasting basis.

The Minister said that the technology that India had evolved as a developing country was eminently suited for these countries and no wonder they were turning more and more to India for filling up this gap. He asserted that India must response to this situation quickly and adequately. Already, several joint ventures have been set up with India's participation. Sizable number of Indians were also settled in many of these countries,



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who could become very useful contacts for furthering the mutual interests of India and the concerned developing countries. The Minister, however cautioned that in our efforts in the region India had to contend with vested interests, which were firmly entrenched there, as well as so many new and powerful competitors who had emerged on the scene. He urged the exporters and industrialists to go forward with the very best that India could offer, so as to meet these challenges. 'Competitiveness both in quality and in prices is the only basis on which we can make any headway", he added.

Third Country Ventures

Mr Pranab Mukherjee, Union Minister of Commerce, Steel & Mines, said recently, that at a time when the international trading and economic environment was undergoing stresses and strains, efforts for promoting cooperation between developed and developing countries had acquired added relevance. He felt that it was time that businessmen and industrialists in the north and the south should recognise that cooperation between the two was complimentary and mutually advantageous. He was inaugurating an Indo-West Europe Workshop on Cooperation in third country ventures in New Delhi.

Mr Mukherjee urged the European and Indian firms participating in the workshop, to take a hard look at each other's capabilities and to see how best they could join hands for mutual benefit. In this connection, the Minister asked the European participants to appreciate that India was not requesting for any special treatment or concessions, but only an equal partnership. He said that if they decide to join or participate in a third country venture, the Indian financial institutions would provide the necessary credit and insurance cover for the Indian share and they were free to decide which portions of the work could be most competitively carried out by each partner.

The Minister said that Indian experiment of planned economic development in a democratic framework laying equal emphasis on central planning and private initiative was, in many ways, unique in the annals of history. No doubt, there were some problems which had defied solutions but the last three decades of planned economic development had helped India build a solid base of industrial and financial infrastructure and raise a vast reservoir of competent and technically qualified manpower. He said that while accepting technologies developed in the industrialised countries in many fields, India had taken care to build on it and to adopt those technologies to the requirements of a developing country.

Indo-Australian Fodder Seed Project

The Governments of India and Australia signed recently the memorandum of understanding concerning the Indo-Australian Fodder Seed Farm Project located at Hessarghatta in Karnataka. The objectives of the project are: to produce sufficient seeds of improved varieties of forage grasses, legumes and fodder crops for further multiplication and testing by the Government and other organisations; to maintain reference plots of selected forage grasses, legumes and fodder crops for the supply of nucleus seed for use as parent material by Government and other organisations; and training of State level officers in fodder seed production technology.

The memorandum of understanding was signed by Mr B.M. Oza, Joint Secretary, Department of Economic Affairs, Ministry of Finance, Government of India and Mr G.N. Upton, High Commissioner of Australia on behalf of their respective Governments. The total commitments of the Government of India and Government of Australia for this project will amount to Rs 59 lakhs and A $1,600 000 equivalent (approximately) to Rs 160 lakhs, respectively.

Names in the News

Mr S.K. Ghosal has taken over as Chairman-cum-Managing Director of the Central Inland Water Transport Corporation Limited Calcutta.

Mr Ghosal who is 43 years old, is an IAS officer. Before taking over the new post, he was Commissioner-cum-Secretary, Industries Department, Government of Tripura and Managing Director, Tripura Jute Mills Limited.

At the Annual General Meeting of the Northern India Cotton Textile Mills' Association, **Mr S.K. Modi** and **Mr G.N. Palriwala** were elected President and Vice-President respectively of the Association for the year 1981-82. Mr Satish Kumar Modi is the Managing Director of Modi Cloth Mills, Modi Thread Mills and President of Modi Carpets. Mr G.N. Palriwala is the Managing Director of Madan Industries Limited and a member of the Managing Committee of PHD Chamber of Commerce and Industry.

Mr S.K.Modi

Readers' Roundtable

An Open Letter to the Home Minister

Respected Giani Zail Singh Ji,

I hope you must be aware that Mr Syed Afzal Mehdi, editor of "Aaina-e-Siasat", a small Urdu fortnightly from Hyderabad, was arrested, handcuffed and humiliated without any rhyme or reason. According to the police his paper carried an article about the communal disturbances that took place in Zaheerabad town in Medak District on September 15. So what? When the police had registered a case against him where and what was the necessity to handcuff him and parade him in Medak? Is it not a clear case of high-handedness on the part of the police?

A similar incident happened in Imphal where Mr M.M. Mithai, editor of an independent daily "Matam" was arrested under the National Security Act (NSA) for his exposing the corrupt practices of ministers and bureaucrats. He was assaulted and sent to jail on fictitious charges. Is NSA meant to deal with independent and bold journalists? He was disgraced and beaten up. Is it not a matter of shame?

It is desired that the Hon'ble Home Minister intervene in the matter and expedite the release of Mr Mithai and institute a high-power enquiry into the undesirable episodes including the one of Syed Afzal Mehdi, editor of "Aaina-e-Siasat", Hyderabad, and infuse confidence in the press that no such incidents will occur in future.

With regards.

Harbhajan Singh
Editor, *Film Mirror*.

Company Meeting :

Britannia Industries Limited

Highlight from Chairman's Speech

"The large organised sector can provide the technical guidance, market information, and the results of its own R & D activities in respect of product quality and packaging methods. For such a positive programme of partnership in the development of the small sector, the organised sector should be allowed to grow and fully utilise its superior technology and skilled manpower."

Mr. M. M. Sabharwal

Speech delivered by Mr. M M. Sabharwal Chairman, Britannia Industries Limited, at the Annual General Meeting at Calcutta on 9th December 1981

You will have gathered from the Annual Report that the year under review has not been as good as the previous year. This was because of the steep increase in the price of basic inputs, severe shortages and the overall depressed state of the economy in the country, particularly until the end of 1980. There are now encouraging signs of economic recovery following the slowing down in the rate of inflation, gradual improvement in the infrastructure and in the availability of raw materials and your Company too should, therefore, be able to show better performance in the current year.

Your Company declared two interim dividends of 5% and 10% in January 1981 and September 1981 respectively. With the proposed final dividend of 4%, the shareholders will receive a total dividend of 19% for the extended year April 1980 to June 1981. I hope, therefore, that the delay in holding this Annual General Meeting due to extension of the accounting year has not caused any hardship.

During the period under review, Mr. K. Julian Scott resigned from the Board because of his greater involvement in South East Asia Mr. R.B. Rao and Mr. P.C. Khanna retired after a long and distinguished service. I am sure the shareholders would like to join me and the Directors in paying a tribute to Mr. K. Julian Scott, Mr. R B. Rao and Mr. P.C. Khanna for their outstanding contributions to the growth and welfare of the Company and in wishing them well for the future.

Mr. M. Morgan joined the Board on the 1st July, 1981. With his wide experience in the Processed Foods Industry and in Finance, and his keen interest in the Company's operations, he will no doubt make significant contributions to your Company's progress.

I may take this opportunity of sharing with you some thoughts on the question of integrated development of the large, medium and small scale sectors which is an important element in the Government's Industrial Policy of 1980. In its Policy Statement, the Government has declared that it will reverse the trends of the earlier years towards creating artificial divisions between small and large scale industry under the misconception that these interests are essentially conflicting. Indeed they are not, but such misconceptions arise from the erroneous assumption that one sector can grow only at the expense of the other. I welcome the Government's new concept of economic federalism—involving the setting up of district nucleus plants in backward areas to generate ancillary and small units—although there are many impediments to be overcome before the idea can be translated into a workable and viable programme.

Dispersal and decentralisation of industry has been one of the cornerstones of our development plans as it offers a way of diversification of our predominantly rural economy to provide subsidiary occupations and incomes to those for whom agriculture does not offer full employment. This is not merely an economic proposition. There is a human dimension to the task of uplifting the men and women in the countryside who have few opportunities of obtaining even minimum standards of living if they do not possess any land. We are familiar with the various schemes to provide the means of minimum welfare to the least privileged members of the rural community. There is also a school of thought which, inspired by the same spirit of humanism, regards the small as beautiful and has thereby endowed it with an aesthetic quality which is lacking in the uncongenial environment of modern industrialism.

My object in underlining these aspects is to show how important it is for the achievement of our social and economic objectives that the small scale decentralised sectors should not only be allowed to grow and contribute their best but that there should also be a harmonious blending of the relative roles of the other sectors engaged in parallel productive operations. It is possible to make these sectors mutually complementary rather than competitive so that they do not cause damage to themselves or to the larger national interest of achieving movement towards economic federalism.

"During the next 10 years demand of bakery products is expected to increase three-fold from the present 1 million tonnes to 3 million tonnes. There is ample room for the growth of all sectors, large, medium, small and the tiny as well."

It seems to me that the guidelines now adopted in the pursuit of these common objectives are in some ways contradictory and even self-defeating. The distinction between the tiny, small scale and ancillary units on the basis of investment limits seem artificial, when the main object is to upgrade technology all round and, as the Industrial Policy Statement itself points out, "small is beautiful only if it is growing". It is necessary, therefore, to give fresh thought to the proper methods by which this harmonious growth can be promoted.

At present, as many as 834 items are reserved for exclusive production by the small scale industries, which means that organised industry cannot enter these fields even if there is sufficient demand for such production. I submit that such a blanket rule cannot create the required climate for the small scale sector and improve the ability or the means to take advantage of growing opportunities. The Sixth Plan, which has devoted some attention to these aspects, also does not offer an encouraging picture. It says: "For want of adequate follow-up and positive support, the policy of reservation has tended to be negative in character. No worthwhile attempt has been made to forecast demand for the reserved items and ensure that adequate capacity is created to meet the likely demand and/or prevent supply-demand imbalances."

The candid assessment strikes at the root of the policy of blanket reservation. The Government, however, has offered and has set up an official committee to review the list periodically; the policy explicitly states that the intention is to enable the small scale sector to acquire sufficient vitality to be able to compete on its own with the large and medium sectors over a reasonable period of time. This commendable objective can be achieved only if all the sectors are brought together in a scheme of mutual assistance and the small scale sector is placed in a position to understand the conditions of competition it has to face and the ways in which it can strengthen itself to meet them.

The Government may be able to provide financial resources through the various agencies including the commercial banks but this can solve only one part of the problem, even assuming that the resources are judiciously given and properly used. The fact that according to the Reserve Bank of India there are over 20,000 small scale sick units which have used up substantial bank credit of over Rs. 230 crores only proves that many other supporting conditions of growth were either absent or neglected.

To co-exist and compete with the medium and large sectors within the country, it is necessary that the small scale sector should gain access to knowledge of the appropriate technology and understand buyer's preferences of the markets in which it hopes to sell its products. Their scale of investment and limitations in respect of qualified personnel may in most cases make it difficult for them to find the right answers. Nor can they afford to pursue R&D efforts on their own, or keep abreast of research elsewhere in matters of quality of inputs, product processes, packaging and quality standards required. Finally, they need incentives for raising efficiency; they now lack these as rapid growth will disentitle them to protection or privileges available by remaining small. This will also ensure the elimination of the tendency to circumvent the rules by "understanding the value of machinery and equipment, falsification of accounts or resort to 'benami' units" as pointed out in the Industrial Policy Statement. Is there any surprise that the existence of such serious disabilities has caused sickness in the small scale sector on a disturbing scale, defeating the object of protection through reservation? Several of the present supply shortages of mass consumption goods, such as bakery products, with which we are more closely concerned, may be traced to this highly unrealistic approach to the issues involved in the development of small scale units.

My submission is that ours is a rapidly growing economy, in which both population increase and economic development are helping to expand the potential market for all manufactured goods. During the next 10 years, demand of bakery products is expected to increase three-fold from the present 1 million tonnes to 3 million tonnes. There is ample room for the growth of all sectors, large, medium, small and the tiny as well. It is the responsibility and duty of not only the Government agencies but also of the large and medium sectors to help the small scale and tiny sectors to achieve viable growth and meet the potential demand. Since official agencies have obvious limitations, the large organised sector can provide the technical guidance, market information, and the results of its own R&D activities in respect of product quality and packaging methods. It can also undertake to market the production the small sector through its own distribution channels.

For such a positive programme of partnership in the development of the small sector, the organised sector should be allowed to grow and fully utilise its superior technology and its skilled manpower. In the absence of sufficient scope for such natural growth, the organised sector, which provides the mainspiring of technology and efficiency, will tend to decline and decay. The Government can always exercise its powers to determine the actual pace at which such growth is permissible, consistent with its other socio-economic policies. I believe that such natural growth is both desirable and practicable and should be the main aim of industrial policy. It is encouraging to note that these aspects are being appreciated for which there is evidence in the recent guidelines issued by the Government.

> **"In the absence of sufficient scope for natural growth the organised sector which provides the mainspring of technology and efficiency, will tend to decline and decay."**

However, there are serious procedural bottlenecks which will have to be removed if the country is to make rapid strides in industrial development. I am referring particularly to the long delays at several stages of sanction before a project or an expansion can be taken in hand.

The Company has taken up with the Government the question of regularisation of the installed biscuit manufacturing capacity. It is hoped that, in keeping with the present highly pragmatic approach of the Government to its Industrial Policy, it will agree to the full utilisation of existing installed capacity in our production units and allow adequate scope for natural growth to enable it to retain its viability.

The recent improvement in the key sectors of the economy and decline in the rate of inflation, together with the product and process innovations assisted by the R&D Centre, should help to improve the profitabiliy of our operations in 1981-82 but this will also depend upon the whole-hearted cooperation and dedicated efforts of the Company's employees at all levels.

With regard to the financial year 1980-81, I am sure shareholders would wish to join me and the Directors to express appreciation and thanks to the employees of the Company for the dedication and resourcefulness displayed by them under extremely difficult conditions.

NOTE:

This does not purport to be a report of the proceedings of the Annual General Meeting.

COMPANY AFFAIRS

ECE Fares Well

THE DIRECTOR of Electric Construction and Equipment Company (ECE) have recommended a 14 per cent dividend for the year ended October 31, 1981 on the capital enlarged by a 2:1 bonus issue as against 17.5 per cent for the preceding year. The dividend works out to 21 per cent on the pre-bonus capital. The company has fared well during the year.

Despite 13 per cent lower sales from Rs 34.71 crore to Rs 30.25 crore, the gross profit has risen from Rs 589.25 lakh to Rs 595.93 lakh, showing better margins. The profit after tax amounts to Rs 187.46 lakh (Rs 160.70) after providing Rs 40.97 lakh (32.60) for depreciation. Rs 353.00 lakh (394.00) for taxation and allocating, Rs 14.50 lakh (1.95) for investment allowance reserve. The proposed dividend will absorb Rs 35.67 lakh and is covered five times. After certain adjustments, Rs 149.69 lakh has been transferred to general reserve against Rs 162.24 lakh in the previous year.

The Directors attribute the improved margins to a control on input costs operating efficiency, constant check on the expenditure and execution of high priced earlier orders. Most of the Electricity Boards experienced severe paucity of funds and delayed the company's payments which disturbed the smooth operation of the company.

The lamp divison has already completed part of its expansion programmes. The company has applied to the Government for approval of a technical collaboration agreement for the manufacture of sodium vapour lamps and steps are being taken to obtain the capital goods import licence for the project.

The company has further taken up the matter with the Government for adding another sophisticated TL manufacturing chain and high psition for switchgear, transformers and metres are sufficient for next 8-10 months production though the price realisation is not very promising.

Despite the economic uncertainties and prevailing power shortage, the Directors feel reasonably optimistic about the future of the company in view of the power development schemes initiated by the Government of India.

DCM Debenture

The issue of 4.80 lakh 13.5 per cent secured convertible debentures of Rs 125 each at par to the public, the list for which opened on December 10, has been over-subscribed.

Bharat Steel Tubes

Bharat Steel Tubes proposes to issue convertible debentures of Rs 4 crore to meet a part of the finance for its expansion programme.

The company is issuing 2 lakh debentures of Rs 200 each at par. Of this, 50,000 debentures are being reserved for shareholders and business associates and the balance of 1.50 lakh debentures will be offered to the public.

Each Debenture of Rs 200 consists of a convertible portion of Rs 50, which will be converted into five equity shares of Rs 10 each at par, and the non-convertible portion of Rs 150 will be redeemed between 8th and 10th year of allotment.

The company is setting up a steel tube project at Nasik with a capacity to produce 25,000 tonnes of steel pipes per annum. It has also received the letter of intent to produce 50,000 tonnes of PVC/HDPE per annum. The total expansion is estimated to cost Rs 6.18 crore.

Vicks Products Boycott in Bombay

The entire range of 'Vicks' products marketed by Richardson Hindustan Ltd will disappear from the Bombay market from December 15. The retail chemists have decided to boycott all products of this company, indefinitely.

The wholesalers have already stopped stocking of 'Vicks' products from December 7.

The retailers have already stopped taking fresh stocks of 'Vicks' products as the negoitations with the company for a higher trade margin have broken down. Richardson Hindustan presently gives a 12.5 per cent margin to the chemists.

The chemists have been demanding a 20 per cent trade margin on category IV products and 18 per cent on category III products of the company.

According to a spokesman of the Retail and Dispensing Chemists Association, boycott of 'Vicks' group of products would be extended all over Maharashtra by the end of this month after a meeting of chemists at Bangalore on December 19.

About 80 per cent of the company's turnover is originating from the sale of 'Vicks' group of products. The monthly sale of 'Vicks' products in Bombay alone is about Rs 2 crore which is about 10 per cent of the all-India sale of these products.

Siemens India

The Directors of Siemens India have proposed to issue bonus shares in the ratio of one share for every two shares held. They have also proposed to step up the equity dividend of 20 per cent for the year ended September 30, 1981 from 17 per cent paid for the previous year.

The company's pre-tax profit has shot up by 33 per cent to Rs 12.84 crore from Rs 9.65 crore for the previous year. This is in spite of a fall of 16 per cent in sales to Rs 105 crore from Rs 125.5 crore. The fall in the sales is presumably because of the de-linking of sales of products of Bharat Bijlee and Cable Corporation of India.

Out of the pre-tax profit, the Directors have provided Rs 7.50 crore (Rs 5.85 crore) for taxation and Rs 60 lakh (Rs 70 lakh) for investment allowance reserve. A sum of Rs 3.52 crore (Rs 1.82 crore) is transferred to the general reserve. The proposed dividend will claim Rs 1.44 crore against Rs 1.22 crore, About 25 per cent of the proposed dividend will be exempt from tax under Section 80K of the Income-Tax Act.

The inflow of orders during the year has declined by 15.1 per cent to about Rs 120.3 crore from Rs 141.7 crore in 1979-80.

Ficom Organics

The Directors of Ficom Organics have proposed a maiden equity dividend of 5 per cent (50 paise per share) for the period of 15 months ended September 30, 1981.

The company commenced production in May, 1981 and produced 202 tonnes of malathion (technical) till the end of September, 1981. Sales for the period have amounted to Rs 98.39 lakh and its operations have resulted in a gross profit of Rs 13.84 lakh.

The company's encouraging performance suggests that the malathion pesticides industry has turned the corner. It may be recalled that all the units in the industry has suffered a sharp set-back during 1979-80 with a substantial fall in profits. Excel Industries, a pioneer in the field, was forced to cut the dividend for 1979-80. Punjab United Pesticides and Chemicals, which had also proposed a maiden dividend for the first year of its operations, was also forced to reduce the dividend for 1979-80.

The recovery in the industry is largely attributed to the ban on imports of malathion. In view of this, the indigenous producers are able to achieve better capacity utilisations. It is likely that Ficom Organics will show a further substantial rise in production, sales and profits for the current year.

Ficom Organics made a public issue of shares in November 29, worth Rs 33 lakh which was over-subscribed by three times. The company's project set-up at a cost of Rs 1.89 crore at Ankleshwar in Gujarat commenced production in May, 1981.

Its net profit for 1980-81 amounts to Rs 9.16 lakh after providing Rs 4.68 lakh for depreciation. Out of this a sum of Rs 5.90 lakh is transferred to the investment allowance reserve. The proposed dividend will claim Rs 2.75 lakh.

Zenith Computers

Zenith Computers Ltd formally launched recently their first indigenously manufactured computer—the Orion 800 – in the Bombay markets.

A unique feature of the computer is its upgradability in both hardware and software. It can interface with different types of hardware like floppy discs, hard discs, tape drivers, multi-processing systems and so on. It can also accept different software input in high level languages like Cobol, basic, Fortran, PL-1, Pascal and offers data base systems and word processing.

The company has a manufacturing unit in Nasik that produces about four systems per month. Priced at Rs 3 lakh, the computer is about 30 to 40 per cent cheaper than similar units, the Directors claim.

The company proposes to go public in March, 1982 by coming out with a Rs 45 lakhs issue that would enable production of 150 computers per annum.

Nagarjuna Tubes

IDBI Chairman, Mr N.N. Pai has visualised a "very bright future" for Nagarjuna Coated Tubes Ltd.

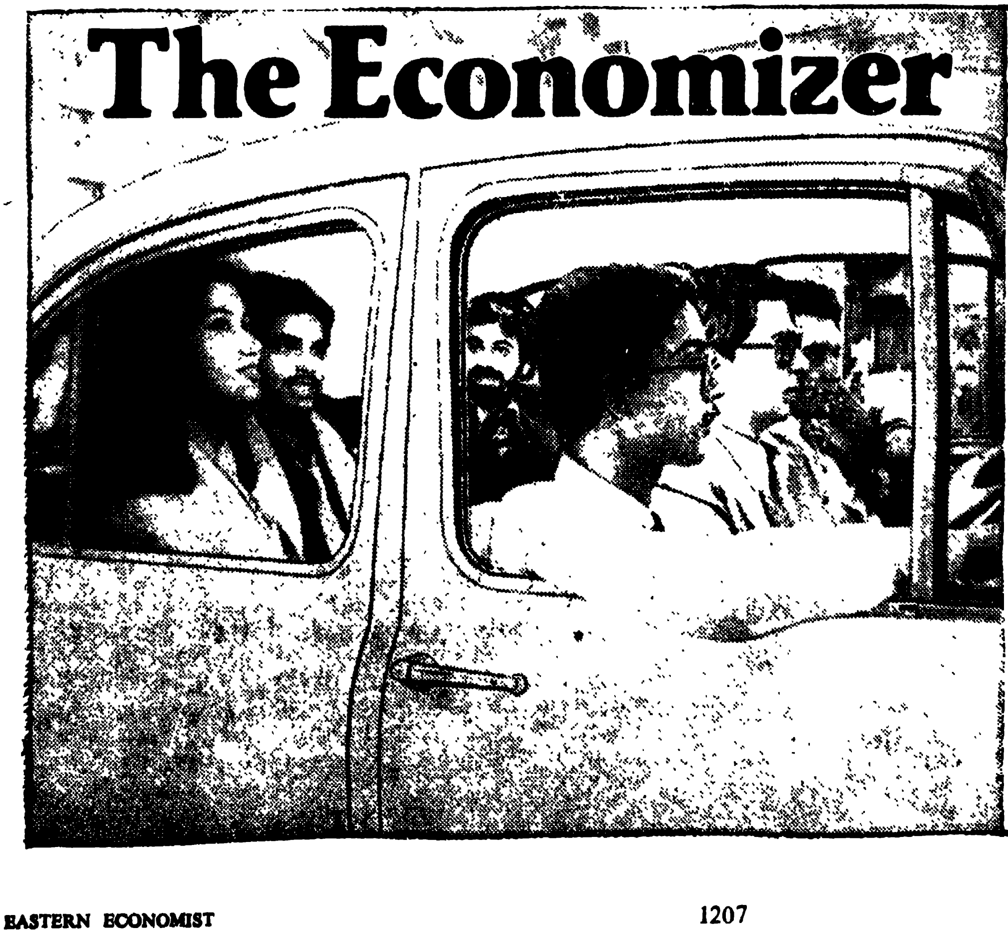
Laying the foundation of the Rs 7.20 crore project at Ishnapur, Medak district of Andhra Pradesh recently, Mr Pai said that the company's intrinsic strength stood reinforced by virtue of its technical collaboration with Allied Tubes and Conduits Corporation of USA, the largest manufacturer of flo-coat tubes in America.

The Chairman of Nagarjuna Coated Tubes, Mr K.V.K. Raju, said that the project was a pioneering venture in that it was for the first time a joint sector company was promoting a new venture in partnership with an international private sector organisation.

Mopeds India

Mopeds India has earned a higher gross profit of Rs 50.23 lakh for the year ended June 30, 1981 against Rs 43.37 lakh for the previous year. Sales have increased to Rs 4.99 crore from Rs 4.19 crore.

The Directors of the company have proposed an equity



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dividend of 15 per cent for the year.

The Directors state that the demand for the company's mopeds is increasing. The selling price of the company vehicles were raised in June, 1981 to meet the increased costs. The company's modernisation programme is expected to lead to an increase in the production and consequently higher profits.

The company has plans to enter into a collaboration agreement with Motobecane, France to buy know-how for the manufacture of newly and more powerful models of mopeds which would be popular in the market.

Synthetic & Chemicals to Cut Production

Synthetic and Chemicals Ltd, is planning to drastically curtail the production of SBR (styrene-butedience rubber) as its stocks getting accumulated. Now the unsold stock of SBR with the company is placed at 5,000 tonnes at an estimated value of Rs 10 crore.

The company, the only manufacturer of SBR in the country had effected a price cut of 10 to 12 per cent on three of its grades early last month to stimulate the demand for the company's product.

According to spokeman of the company lifting of the company's product is still very poor despite the price reduction. Imports are still continuing and a large section of the rubber goods industry still uses the imported SBR.

It is stated that about 10,000 tonnes of SBR have been already imported so far during the year.

Taiwan with large-scale of operations, is able to offer its SBR at a much cheaper price than the local product, though the present import duty is 66.5 per cent on SBR.

The spokesman felt that the Government should at least raise the import duty sharply to restrict the uncontrolled imports of SBR at the cost of an indigenous manufacturer.

The company has also made a suggestion to the Government to insist on the user industry to take some quantities of local SBR also for production. At the moment, some of the leading tyre companies are using only imported SBR, it is stated.

The tyre industry consumes about 60 per cent of the total SBR available in the country and the balance is consumed by the non-tyre sector. The company can meet almost the entire demand of the country which is placed at about 35,000 tonnes now. The licensed capacity of the company is 32,000 tonnes.

Because of the low offtake the company is operating only three lines now though a fourth line is also ready for production. Daily production of SBR by the company now is 100 tonnes. For the current year the estimated production of the company is 24,000 tonnes.

Meanwhile, the shortage for natural rubber continues in view of the lower production caused by unseasonal rains in Kerala. Production in September caused by unseasonal rains in Kerala, was placed at 9,000 tonnes against a normal production of 15,000 tonnes.

The All-India Rubber Industries Association has pleaded with the Government to import 20,000 tonnes of natural rubber to tide over the present shortfall.

Universal Dyestuff

The Board of Directors of Universal Dyestuff Industries Ltd has skipped over the dividend on equity shares for the year ended on March 31, 1981. Last year, the company paid a dividend of 15 per cent.

The company has incurred a loss of Rs 40.37 lakh in 1980-81 as compared to the gross profit of Rs 44.31 lakh in the previous year. The total sales of the company have risen to Rs six crore from Rs 5.45 crore in the previous year.

After making necessary provisions, the net loss amounts to Rs 57.47 lakh as compared to the net profit of Rs 16.60 lakh in the previous year. In spite of stiff competition, the company has exported goods worth Rs 279 lakh in 1980-81 as against Rs 253 lakh in the previous year. The sharp set-back in the profits was mainly attributed to the shortage of raw materials, increased cost of production, continuous power cut, etc.

South India Viscose

South India Viscose has earned a higher gross profit of Rs 3.08 crore for the first half of 1981-82 against Rs 2.97 crore for the corresponding period of last year. Sales have amounted to Rs 18.28 crore against Rs 14.88 crore. Its pre-tax profit is placed at Rs 1.49 crore against Rs 1.44 crore after depreciation of Rs 1.59 crore (Rs 1.83 crore).

The management states that the company's working in the second half ending March, 1982 is likely to be satisfactory.

Mukand Convertible Debentures

Mukand Iron & Steel Works Ltd will shortly enter the market with the issue of 3,50,000 secured convertible debentures of Rs 200 each for an aggregate value of Rs 7 crores The issue will open on January 15, 1982, and will close on January 27, 1982 or earlier but not before January 19, 1982. These debentures will carry interest at the rate of 13.5 per cent per annum payable half yearly. Additional interest at the rate of one per cent per annum will be paid if for the immediately preceding financial year, the company declares dividend on its ordinary shares at the rate exceeding 12.33 per cent. The company declared 15 per cent dividend for the year 1980-81 and therefore, the interest at the rate of 14.5 per cent per annum on these debentures is assured for the year 1981·82.

The object of the issue is to finance part of the first phase of the modernisation programme costing Rs 14 crores. The first phase includes rehabilitation and modernisation of Bar Mill, installation of Bloom Caster, Ladle Refining Station and other balancing equipments. This part of the programme, which is expected to be completed by 1982-83, will be financed by the issue of convertible debentures, borrowings from financial institutions and internal accruals.

Andhra Cements to Enter Capital Market

Andhra Cements proposes to make a public issue of Rs 2.75 crore and a rights' issue of a like amount to partly finance its large expansion programme involving a capital expenditure of Rs 30.85 crore.

The expansion programme is aimed at raising the company's installed capacity from 2.5 lakh to 7.4 lakh tonnes of cement per annum. The programme is expected to be completed by 1983-84.

The company expects to receive term-loans of Rs 23 crore from financial institutions for the expansion cost. Internal accruals and loans from promoters amounting to Rs 2.35 crore and capital issue of Rs 5.50 crore will help finance the expansion. The rights issue will be made at par in the ratio of one share for every three shares held.

Meanwhile, the company has reported encouraging performance for the year ended March 31, 1981, with its trading profit, before interest and depreciation, rising to Rs 2 crore from Rs 1.38 crore. Sales have increased to Rs 13.54 crore from Rs 8.51 crore. Production increased by 40 per cent to 3.94 lakh tonnes from 2.81 lakh tonnes.

After depreciation, interest and other adjustments, the net profit amounts to Rs 78.11 lakh against Rs 48.35 lakh. The unchanged dividend of 12 per cent will absorb Rs 9.51 lakh.

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Printed and published by R. P. Agarwala on behalf of the Eastern Economist Ltd., United Commercial Bank Building, Parliament Street, New Delhi, at the New India Press, K-Block, Connaught Circus, New Delhi.
Editor: Swaminathan S. Aiyar

Registered at the GPO, London
as a newspaper

Licensed to post without prepayment U-54, Regd. No. D(C) 257
Registered with the Registrar of Newspapers of India under No. R.N. 535/57

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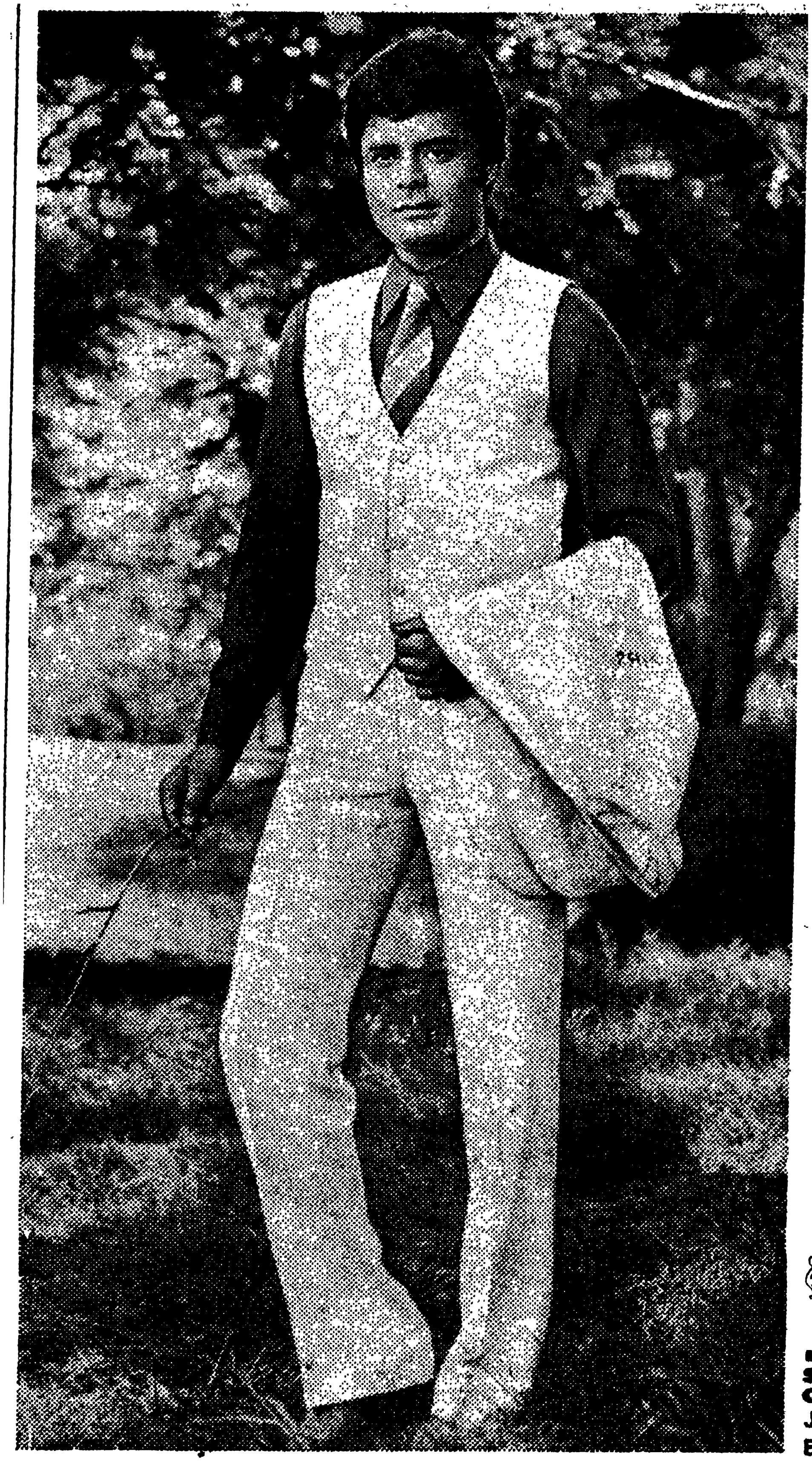

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This Week

November 25

The pound sterling became 15 paise costlier following a 0.85 per cent devaluation of the rupee by the Reserve Bank.

A permanent mission of the European Economic Community (EEC) is to be set up at New Delhi shortly to foster greater economic and trade relations between India and the EEC.

The Indo-Czechoslovak trade protocol for 1982 signed here recently envisages a trade turnover of Rs 340 crores which is an increase of about 40 per cent over the provisions of the trade turnover.

November 26

The 21st general conference of the Food and Agriculture Organisation (FAO), elected Indian Planning Commission member, Mr M.S. Swaminathan as President of the FAO Council.

The official wholesale price index for all commodities (base 1970-71) continued its uptrend and stood at 280.4 points during the week ended November 14. Compared with the index for the corresponding week last year, the inflation worked out at 8.3 per cent.

Television in India is poised for a major technological breakthrough with the commissioning of a microwave link connecting Madras, Bombay and Delhi.

November 27

Pound sterling became 10 paise costlier following the Reserve Bank devaluation of the rupee by 0.56 per cent. Middle rate is Rs 17.70 a pound.

Export of silver has been taken out of the control of the Reserve Bank of India.

November 28

The index of industrial production for August, (base 1970) declined to 161.8 points against 162.9 for July.

November 29

Tanzanian President, Mr Julius Nyerere, called on the international community to demand South Africa to hand over Seychelles mercenaries involved in an abortive attempt to topple the Government.

The Damodar Valley Corporation (DVC) to treble its installed power generating capacity from the present 1361.5 MW to 3861.5 MW by 1991-92 to meet the growing demand in the eastern region.

India and Nepal undertook to start a new chapter in mutual trust and confidence building and agreed to work jointly to maintain peace and stability in the region.

November 30

The pound sterling became 20 paise costlier following the Reserve Bank devaluation of the rupee by 1.13 per cent. RBI fixed the new middle rate at Rs 17.90 per pound against the earlier Rs 17.70 per pound.

India and the Soviet Union signed a comprehensive protocol envisaging Soviet assistance in survey, assessment and drilling for oil in various promising regions of the country with final action taken on most of the specific proposals by the middle of 1982.

December 1

Congress(I) wins eight assembly seats. The party-wise break-up of the 15 assembly seats filled in six States is, Congress (I) eight, CPI (M) three, Bharatiya Janata Party two and Independents two.

In a move to improve the health of the aluminium industry the Union Government has decided to slash by 50 per cent the 44 per cent ad valorem excise duty on the metal and add the equivalent amount to its basic price.

The price of gold for December 1981 has been fixed at $431.25 per troy ounce (Rs 1,291 per 10 gm) under the scheme of export of gold jewellery against gold supplied by the foreign buyers.

The Government has decided to allow exports of castor oil to general currency areas by the Gujarat State Export Corporation and the Andhra Pradesh State Trading Corporation upto March 31, 1982.

The Reserve Bank of India (RBI) reopened sale of its special bearer bounds, 1991.

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ECONOMIST

Inflation—Is It Ending ?

AT LONG last, endeavours to contain the price line appear to be succeeding. Not only has the rate of inflation decelerated very significantly, some decline has been registered in wholesale prices in the past three months. As against 22.4 per cent inflation in 1979 and 14.9 per cent in 1980, the rise in prices as measured by the wholesale prices index (base 1970-71 = 100) during the current calendar year upto November 14 worked out to just 7.95 per cent. Compared to the corresponding period last year, this year's inflation rate is about 50 per cent. Since March-end, the wholesale prices index has appreciated by about 3.6 per cent. It has gone up during the corresponding period last year by 11.7 per cent. The decline in the index by November 14 from the peak level of 289.2 on August 22 was 8.8 points. A similar dip last year did not exceed 6.8 points.

More significantly there are signs of the rise in retail prices also getting mitigated. For the first time since December last, consumer prices index for industrial workers appreciated in Septemher by just two points to 456 and that for urban non-manual workers by one point to 418 (base in both cases 1960= 100).

Another wholesome development on the prices front that needs to be taken note of is that the seasonal decline in prices, which occurred last year for a few weeks after mid-October, took place this year from the terminal week of August. The reasons for this are not far to seek. The seasonal abatement of the price rise last year was delayed, and also did not last long owing to fears about the agricultural output and anticipations of some rises in the administered prices of steel, cement, coal and foodgrains.

The hopes of good agricultural harvests, the continuation of the heartening production trends in the industrial sector as well as a much better performance of the infrastructure fields ushered in the seasonal decline in prices comparatively early this year. The tighter credit policy, the abatement of inflation abroad and the expectations of the deficit financing being contained to a level lower than last year too have been helpful to no small extent.

All this augurs well for the continuance of the current healthy trends. Since no significant adjustments in administered prices can be expected in the near future, and the rises in issue prices of foodgrains will be moderate, some respite can be hoped for from the galloping inflation of the past three years. The impact of a possible step-up by 10 per cent in railway freight rates during the current session of Parliament could inject some further cost-push inflation. But its impact can be well contained if the railways are able to maintain the improvement in their operations, leading to somewhat less dependence on costlier road transport. A restructuring of power tariffs too is being talked about. But a decision on this ought to take into consideration the scope for improvemnt in the performance of State electricity boards. Like railway freights, power tariffs too affect the entire economy.

The outlook on the prices front, thus, is more promising than at the beginning of the year. In fact, industry circles feel that should the current tight credit policy continue, there are dangers of a recession setting in. Care, therefore, needs to be taken that the credit policy does not hinder production, again leading to emergence of shortages. Selective credit relaxation may have to be effected.

Gloom in Fertiliser

THE FERTILISER industry is worried because things are not going quite as planned. Thanks to the two increases in the price of fertiliser in June 1980 and July 1981—together these two mean a 62 per cent rise—the rate of growth of consumption has slowed down. And thanks further to raw material shortages, capacity utilisation in the industry has been low, around 65 per cent in 1980-81. Taken together, these two factors mean that less fertiliser is available—if imports are excluded that is—at higher prices. For a country that needs rather desperately to increase yields through more fertiliser consumption, this is a far from happy situation.

The increase in fertiliser prices was inevitable in the wake of the sharp rise in the prices of essential inputs and the cost of imports. One way of keeping down the prices would have been to increase the subsidy. But now that the Sixth Plan has sworn to reduce subsidies and the IMF is breathing down Mr Venkataraman's neck, this course is not open. The net result, therefore, has been the very sharp increase in the prices of fertiliser. Although there is no study which establishes a strong negative co-relation between fertiliser prices and fertiliser consumption and although there is no study which demonstrates the high demand elasticity for fertiliser, it does not take much to realise that the impact on consumption has been adverse.

However, the price factor is only the most important one. Other factors, such as bad weather and non-availability in many interior areas, too have contributed. One major constraint has been the absence of a foolproof method of ensuring that the fertiliser actually reaches the block headquarters. There is at least some evidence to suggest that both institutional agencies and private trade have tended to dispose off the material at the rail head or en route. The railways have a very important role to play in this regard and although they have started doing better now than in the last few years their performance still leaves much to be desired.

Perhaps the most important problem apart from the one of price is that of the slow pace at which extension programmes and activities are growing. There is absolutely no point in making available something which the consumer does not know how to use. In fact, in the case of fertiliser such ignorance can be actually counter-productive for two reasons.

First, because inoptimal or excess doses can lead to damage to the crop as well as waste scarce material; and second, the higher consumption that this reflects can impose an unnecessary burden on the farmer whose resources in any case are limited. Extension in fact is the key to achieving higher rates of fertilisers consumption. It is only mildly encouraging to note that the fertiliser companies are now adopting more sophisticated methods of marketing by gradually shifting the emphasis from higher consumption to more efficient utilisation. Actually, since the two are not mutually exclusive, depending on the area, one or the other strategy is being adopted. Thus in Punjab, obviously, the emphasis is on more efficient utilisation whereas in (say) Madhya Pradesh or Bihar, the emphasis is on bringing about higher consumption. The problem of expansion programmes is, in the final analysis, one of implementation at the operational level and until the extension worker is suitably motivated (either through a system of adequate incentives or through some other means) the progress is likely to be less than required.

Where capacity utilisation is concerned it is indeed regrettable that the percentage has remained constant since 1979-80 and 1980-81. There are indications that the situation might improve during the current year. The major constraint has been primarily the poor performance of the infrastructural sector and labour problems. The shortage of raw material too has been an important contributor because the supply of naphtha, fueloil/LSHS, coal, power etc. have been erratic. The problems arising from break-down in plant and equipment have been also severe in view of the frequent shut downs and power fluctuations. There is, however, some evidence to suggest that the frequencies of these breakdowns have been reduced.

In the final analysis fertiliser consumption can improve only if: (a) area under irrigation is dramatically increased; and (b) if dry farming techniques are developed and shown to be successful at the field level. It appears that there has been some progress in the latter but precisely how far this will take us will become clear only over the next few years.

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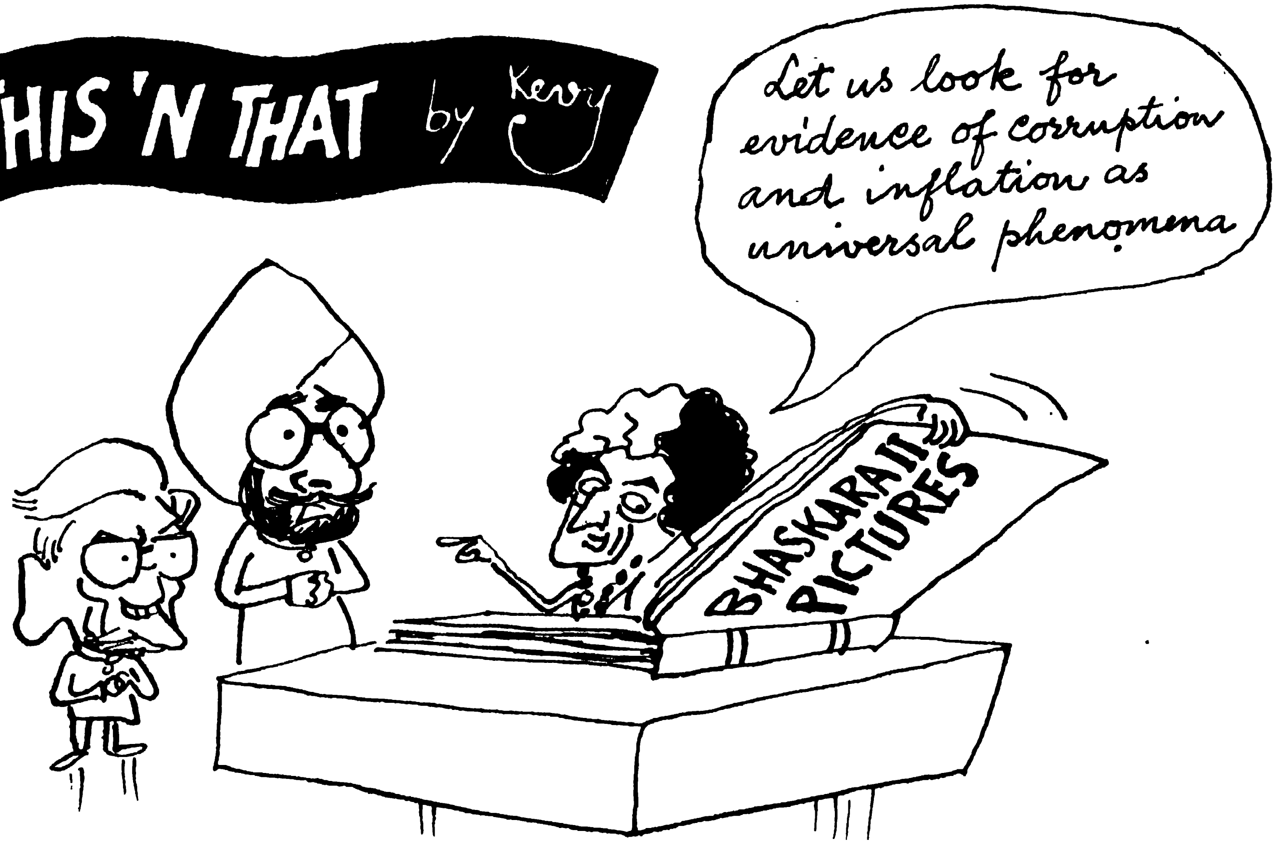
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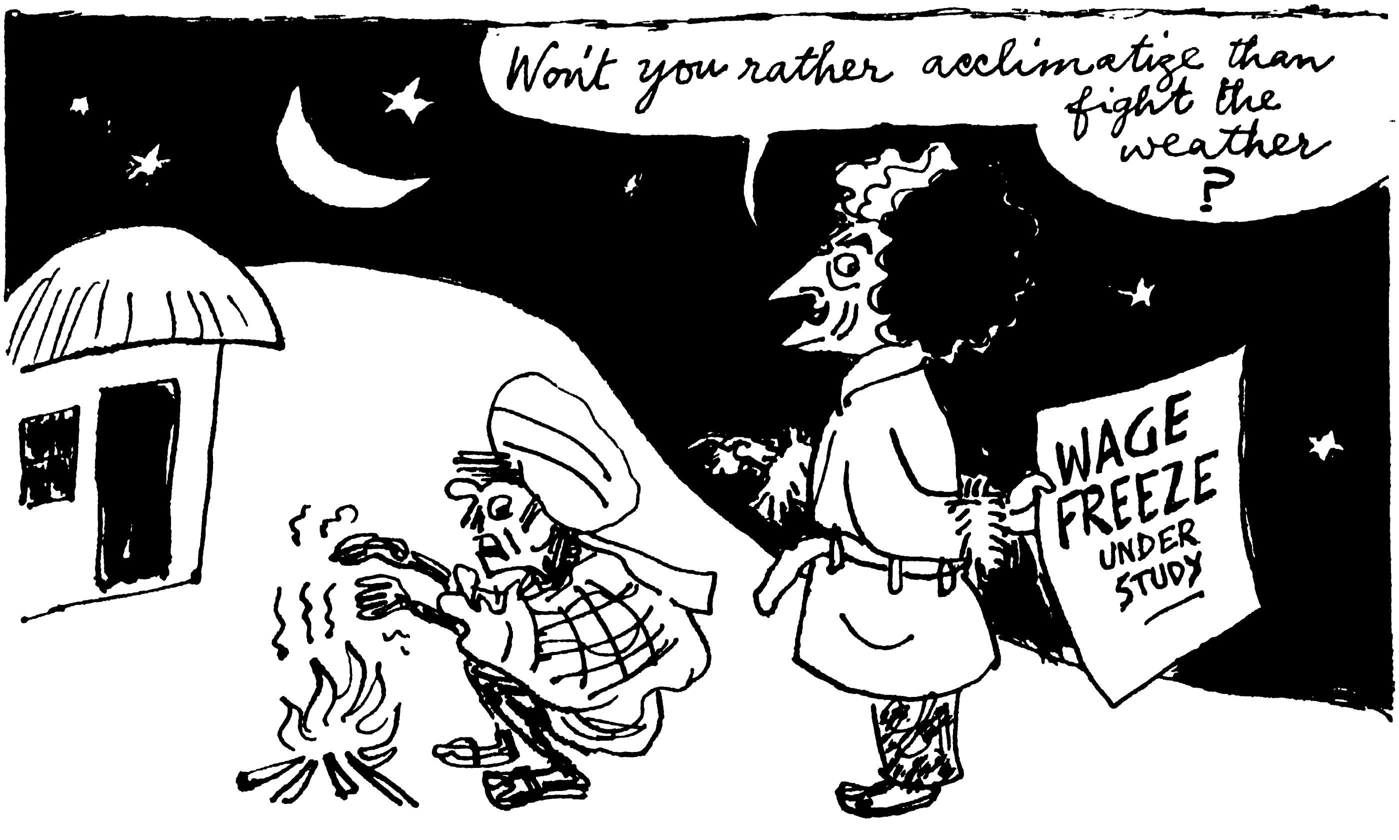
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WAGE FREEZE UNDER STUDY

Special Feature

What Price the IMF Loan?

Few issues in the recent past have generated as much controversy as India's decision to borrow five billion SDRs from the International Monetary Fund. We have put together in this feature a variety of views on the desirability and implications of the IMF loan. The articles have been written by P.R. Brahmananda, Amiya Kumar Bagchi, Swaminathan S. Aiyar, and Amit Bhaduri. The feature concludes with statements by Mr. Julius Nyrere, President of Tanzania, and Mr Michael Manley, former Prime Minister of Jamaica, who engaged in widely publicised battles with the IMF in the 1970s.

Economic Implications of the Loan ?

Prof. P. R. Brahmananda

IT IS not widely realised that from 1980-81 onwards a fairly serious balance of payments crisis on the current account has been building up. It appears that during the current year itself, that is, the second year of the Sixth Plan, a serious foreign exchange gap has been building up. In his statement to Parliament, the Finance Minister has referred to Rs 1400 crores decline in foreign exchange reserve in the first 7½ months of the current year (1981-82), a 25 per cent decline within less than three quarters of a year. He refers to the weakening of the export demand of our goods. He seems to have approached the Fund at the end of September 1981.

Currently exchange reserves are estimated at Rs 3,400 crores; last year, 1980-81 we seem to have run down reserves to the extent of about Rs 1,200 crores, if we exclude Rs 870 crores received from the IMF trust fund. This is due to, (a) the slackening in the growth rate of exports, (b) the steadying of the trend in remittances, (c) the rise in real import bills due to the successive hikes in oil prices, and (d) domestic gaps in material balances.

We have aggravated the crisis by, (a) keeping domestic interest rates lower than foreign rates by nearly five percentage points, (b) augmenting credit and money supplies at home at rates more than 10 percentage points above real output growth rates, (c) encouraging inappropriate and wasteful consumption of scarce materials and inputs like steel, cement, paper, newsprint etc., and (d) not taking needed strong steps to reverse inflation rates and to reduce the sphere of the parallel monetary and financial system. In other words, weakened and lackadaisical monetary, fiscal and income policy measures have added to the payment crisis. The authorities seem to be reluctant to undertake stiff measures in order not to displease both extremist liberal and leftist opinions. As a result there was no recourse other than to borrow if the Sixth Plan had not to be cut.

In accepting the Sixth Plan, the Parliament and all State Governments had accepted the inbuilt trade gap and the consequent need to borrow from abroad. The Plan had noted a gap of about Rs 12,000 crores (at 1979-80 prices; at current prices this would be about Rs 15,000 crores) for the Sixth Plan and had specifically provided for borrowings from world agencies and commercial sources. In fact 88 per cent of the trade gap in materials is due to the public sector projects in vital sectors.

The GNP at market prices in 1980-81 would be around Rs 135,000 crores and in 1981-82 it may be around Rs 157,000 crores. The trade gap for 1980-81 would be about 4.1 per cent and in 1981-82 it may be of the order of between Rs 6,000 and Rs 7,000 crores constituting between 4 to 4.2 per cent of GNP at market prices. This would have been made partly through the run down of reserves of between Rs 1,000 and Rs 1,200 crores, commercial borrowings of the order of about Rs 1,000 to Rs 1,200 crores, invisible receipts of about Rs 1,500 crores, foreign aid of about Rs 500-600 crores, and IMF loan utilisation of about Rs 1,000-1,500 crores. The loan portion would be meeting 20-25 per cent of the trade gap this year and perhaps the same would be the case in the immediate three years ahead. The trade gap to be made good through the IMF loan would currently be of the order of one per cent of GNP at market prices, but 12 per cent of our imports.

The Plan has estimated supply gaps in POL products, fertilizers, edible oils, man made fibres, cement, steel, non-ferrous metals, paper and newsprint. The import gap would be 3-4 per cent of real GNP. The IMF loan will meet about 20-25 per cent of the gap. Since the ratio between real working capital and output is 1 to 3, we can expect production level for Rs 1000 crores of loan to go up by about Rs 3,000 crores. Since the surplus is greater at the margin, the growth effect would also be greater. We should expect 20 per cent of the assumed 5.2 per cent of growth rate to be helped by the loan

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That's the Law of Entropy

$$\Delta S = \int \frac{dQ}{T}$$

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if we use the proceeds economically. Consequently employment particularly in public sector units would be higher.

The RBI report refers to a 15 per cent drop in the domestic savings to income ratio. The loan with its concurrent policies should help the ratio to go up. There is a complementary relation here.

The tupee's exchange rate is said now to be realistic. If the concomitant policies are pursued we should strengthen the exchange rate.

The IMF loan will help the country get Rs 5,000 crores of commercial borrowings. In other words, it helps to bridge a larger gap.

The monetary, credit and fiscal policies suggested by IMF are very moderate. They are also part of Sixth Plan's thinking.

Looking to the domestic drifting situation there is a real possibility of our frittering away the resources. This is where the "debt trap" and the "black hole" metaphors apply.

Avoiding 'Debt Traps'

The following suggestions are offered for overcoming the contingency of getting into the "debt traps" and the "black hole" syndrome :

(i) The Government should eschew deficit financing completely by 1982-83. Net bank credit to the Government sector must be reduced to zero in the budget for 1982-83

(ii) Bank credit to the commercial sector should be limited till a growth rate of about 10 per cent over the level in 1981-82;

(iii) Interest rates domestically should be raised to 15 per cent plus;

(iv) Remittee deposits bringing in foreign exchange should be lodged in special accounts carrying an index-linked interest rate of 15 per cent plus. The special accounts will be in the form of four year fixed deposits;

(v) The banks in India should be permitted to open special accounts in lieu of deposits of gold, valued at the 1980-81 international market price of gold in rupees, carrying an interest rate of 15 per cent which is also index-linked. Such deposits should be free from income tax and wealth tax to a ceiling of Rs 50,000 per depositor. The deposits will be in the form of five year fixed-deposits. The gold will be transferred to the Reserve Bank of India in lieu of special securities lodged with the banks, which can serve, under certain conditions, as a basis for collateral for loans from the Reserve Bank of India. The gold will add to the exchange reserve of the Reserve Bank of India, which will value the gold holdings at the international market price of gold during 1980-81. The Government can borrow the gold from the Reserve Bank of India on payment of interest of 15 per cent with interest-linking arrangement. The Government can also permit loans to the public and private sector organisations on the gold account at the above rate. It should be possible during the Sixth Plan period to mobilise at least Rs 5,000 crores worth of foreign exchange through this source. This will add to India's credit-rating in Euro-markets. It is but proper that if India can borrow foreign exchange domestically at rates and terms which are on par with that obtaining abroad, we should not hesitate to do so since the transfer burden will be wholly domestic in this case;

(vi) Top priority should be given to oil exploration and oil prospecting. Ideological considerations should not stand in the way of augmenting domestic oil supplies. However, it should be possible to reduce domestic consumption of oil products by at least about 10 per cent of the current level. Similarly it may be possible to restrict consumption of domestic items like newsprint, paper, cement and steel. The bulk of the reduction can be achieved by restrictions *within* the public sector itself. A 10 per cent across the board cut on Government purchases of all these items will help both to reduce the deficit and to reduce the import gap;

(vii) It should be possible to obtain foreign-equity participation from Indian nationals residing abroad. This could be for both public and private sectors. The terms will have to be conveniently arranged;

(viii) The earnings through invisibles like remittances, consultancy charges, etc can be considerably augmented by plan investment in human capital-intensive goods for export. It is well known that the rate of return to domestic investment in human capital is more than 25 to 30 per cent abroad as compared to about a half of it at home. It should be possible to expand the production of highly trained and skilled services for export. The investment cost for this can be made again through contributions from Indians residing abroad. The remittance inflows itself will compensate for the investment;

(ix) The participation of multi-nationals in industrial ventures at home is no doubt a controversial issue. To the extent these are in basic goods and involve cost reduction this should be welcome. But it would be worthwhile having a separate commission for scrutinising such collaboration possibilities: so also for exploration of offshore banking possibilities;

(x) The chief problem in export development in industry is due to high costs; these are so because of very high capital-output ratios, high inventory-fixed capital proportions, overstaffing, high real costs of raw material inputs, high unit operating expenses at corporate level, low levels of modernisation of plants and so on. We must rectify these factors quickly and permit minimum of 15 per cent rates of return as permissible all over as against the current average of 10 per cent;

(xi) Tax reform must deal with reducing real cost levels, economising on exchange and the developing of export lines; and

(xi) Non-inflationary resource-mobilisation channels should be adopted both in public and private sectors. This helps export development as exports are adversely affected by inflation.

The above is an integrated short-term programme of proposals for overcoming the current crisis. If we do not overcome this, the loan will be quickly used up and the economy will face greater gaps in future. This is the reason why utmost monetary, fiscal and physical discipline is called for here and now.

Conditionality and Its Implications

Amiya Kumar Bagchi

THE INTERNATIONAL Monetary Fund (IMF) and the World Bank were the brain-children of Harry White, an American who was later accused of being a pro-communist by Senator McCarthy, and John Mayard Keynes, perhaps the most powerful intellectual protagonist of capitalism in the last sixty years. Although the major concern of both these men was to preserve the international capitalist system by removing undesirable fluctuations in economic activity, they also showed some generosity of outlook and wanted to prevent any unnecessary misery that might be suffered by the poor nations.

Things however started going wrong almost from the very beginning. Particularly in Latin America and Third World countries in general, the IMF often exacted conditions which aggravated the instability of the borrowing country and seriously hampered its efforts at industrialisation. In Argentina, Chile and many other countries, in the 1950s and 1960s, the IMF and the World Bank objectively acted as agents of American and Western imperialism on many occasions. The role of the World Bank and other Western aid-giving agencies in destabilising Allende's Government in Chile is too well-known to need elaboration here.

Structural Readjustments

But these policies were pursued in a slightly shamefaced manner, often at the behest of the US Treasury, and not in accordance with any specific ideology. What is new is that the IMF now recommends not just short-run policies which might run counter to the national objectives of the borrowing countries, but, that, when the loan concerned exceeds the normal borrowing limits of the country concerned, the IMF insists on a package of policies that should bring about 'structural readjustment' in the direction it wants. Thus the *long-run* development objectives of the country might be completely overturned at the behest of the IMF. Since the Indian Government has now negotiated the largest single loan ever granted by the IMF, it is inviting the application of the 'maximum conditionality' laid down by the IMF.

The policies bracketed together as requirements for structural readjustment are inspired by an ideology which can be recognised as a cross between the so-called supply-side economics and rigid monetary policy, with the former being the dominant parent.

Unfettered Capitalism

Supply-side economics starts with the basic premise that unfeterred capitalism is the only 'natural' order of things. For this kind of technology, capitalism is still a system where individual entrepreneurs ride to prosperity on the virtues of thrift, hard work and inventive genius, and the world benefits from their virtues. Prolonged slums, chronic depression or unemployment, monopolies, price-rigging by firms are all foreign to this system.

But the late 1970s witnessed one of the most severe depressions suffered by capitalism and that depression is still continuing. Furthermore, modern capitalism is virtually a system of gigantic monopolies. Supply-siders have an answer to most of these puzzles—answers that appear satisfactory to them, if not to others. Temporary slums are needed to weed out the lazy individuals who are not doing enough to keep up their competitiveness and productivity. If depressions are long, it is mostly the fault of those institutions and Governments which interfere with the free working of the market mechanism.

How about unemployment? Some of it is frictional, temporary and necessary in order to allow industries to be restructured and labour to be relocated. Most of it is voluntary. If workers were prepared to accept a cut in real wages, all of them would find jobs. It is trade unions with their blackmail and the State with its social welfare benefits which really help to keep the workers in idle comfort.

In the demonology of the supply-siders, of course, socialism and any kind of progressive movement are seen as the main threats to prosperity. Next in order come the public sector and the trade unions. According to them, the power of both these institutions has increased too much and must be at once curbed. They dislike the proliferation of regulations by the public agencies and increases of public spending on anything other than defence and law and order. In their view, increases in public spending eat into potential private saving, fuel inflation and interfere with the free working of the market mechanism.

Reducing Taxes

Public revenues in most countries come mostly from taxation of private individuals and corporations. According to the supply-siders, this taxation is too high in most countries and penalises risk-taking, enterprise and thrift. Cuts, in taxes, particularly on income and wealth, figure prominently in the remedies proposed by them. Such tax cuts, of course, must be most balanced by cuts in expenditure, in order to prevent the widening of budget deficits. A top candidate for this kind of chopping would be subsidies for unproductive consumption—to wit, subsidies for food, passenger transport, energy use by private consumers, and health and educational expenditures.

However, supply-siders want the State to provide extra incentives for productive investment. But are incentives for investment not subsidies? This is where we reach the materialistic core of the theology. Anything that benefits the profit-earners as a class is useful: if the same thing goes to wage-earners, it becomes a waste. By definition also, anything that is saleable is not wasteful. Pollution control done by the State is a hindrance to accumulation and therefore is wasteful regulation and expenditure, but the sale of pollution control equipment is not.

When we combine the solicitude for increasing profits with the stern determination to discipline labour, we can see the class bias of the ideology clearly. Supply-siders want to keep wages down; but it is even more important that workers should be disciplined.

Ultimate Touchstone

It is easy to extend the supply-side vision to the international economy, because according to that vision survival in the international market provides the ultimate touchstone of competitiveness. Overvalued exchange rates, tariff and quota-protected markets, overmanned factories sheltering behind walls of Government patronage are all anathema to supply-siders. Balance of payments crises are the wages of sin. And when the sinner comes begging for help, it is time to mete out the punishment and set in train corrective action.

Many Third World countries adopt various price control measures in order to keep inflation in check and restrictions on imports in order to keep the balance of payments within manageable limits. The IMF, when it lends any large sums of money, insists on a condition that price controls be removed and prices allowed to rise so as to bring supply and demand into equilibrium, and that the exchange rates be devalued so as to bring about a situation where imports become so costly and exports so cheap that balance of payments crisis disappears. Inevitably, the rate of inflation within the country rises. Paradoxically enough, the devaluation itself leads generally to a worsening of the balance of payment deficits. By now even the IMF economists admit that these developments are very likely to occur. But they insist that these are only initial reactions and in the long run, cutbacks in public expenditure and wasteful (read, consumption) expenditure on the one hand and improvements in supply induced by higher profitability will bring down the rate of inflation and balance of payments into equilibrium. Among the prices that must be allowed to find their own level will be rates of interest; in the recent case of IMF medicine applied to Turkey, bank interest rates rose to 45 per cent per annum. It has been claimed that this increase has led to a phenomenal increase in the savings rate.

When the IMF policies are applied across-the-board, of course, many enterprises will go to the wall. This will lead only to a healthy redeployment of sources. If, in the process, thousands or even hundreds of thousands lose their jobs, such joblessness must be borne in the long-run in the interest of the economy and society. What the IMF bothers about is not the size of the cake at any given moment but its splicing between wages and profits, which, according to it, will determine its eventual rate of growth.

Period of Adjustment

How long will the process of adjustment to the new growth equilibrium take? On this, the pronouncements of the IMF have been vague, to say the least. But anything up to a period of 5 years has been implicitly assumed as due period of adjustment. Nobody, of course, has done a sum as to whether all the misery caused by this period of adjustment in the form of lost outputs, hunger and waste of human energy can be compensated by the eventual upturn of the economy, even if that upturn proves to be more than purely temporary.

From the point of view of a typical Third World country, the IMF remidies can be as deforming as thalidomide, backed and marketed by the world's transnational companies, just as thalidomide was. The ironical fact is that even on its own showing, the policies pursued by the IMF in concert with the other controllers of international capitalism have not succeeded very well in checking inflation or promoting any other kind of stability. The *Annual Report* of the IMF for 1981 tries to explain this away and, in doing that, exposes the real core of its ideology to the naked eye. It is constrained to admit that the rate of inflation in the industrial countries accelerated both in 1979 and 1980 and that part of that acceleration was due to increases in value-added tax—a favourite nostrum in the witches' cabinet of suyply-side economics. It then goes on to note 'with some gratification' that when inflation rates accelerate, consumer prices increase much faster than the wholesale price index, thus increasing the earnings of profit-earners in general —manufacturers, wholesalers, retailers and speculators—at the cost of the ordinary run of consumers. The IMF *Report* also noted, with obvious approval, that one measure of inflation recognised by it, namely, the rate of increase of wages slowed down considerably in major industrial countries. 'Indeed, average real wages in the industrial countries declined for the first time in at least 20 years in the second half of 1980 and fell further in the first half of 1980.

The Finance Minister of India, Mr Venkataraman, was only repeating the lesson of the master, when he claimed the moderation of inflation only on the basis of movement of wholesale prices alone never mind if consumer retail prices rose much faster.

Ultimate Remedy

Fundamentally, what is wrong with the strong version of the IMF medicine aimed at effecting 'structural readjustment' is that it seeks to cure the disease by killing the patient. There has always been an asymmetry in its way of looking at things between rich nations and poor, between countries with buoyant balance of payments surpluses and those with chronic deficits, and between countries which attract capital and those which repel it. Thus even if the balance of payments deficit of a country is due to causes outside its own control, including policy lapses of rich creditor nations, it is the deficit country which has to bear the full burden of adjustment. If the deficit country happens to be poor and backward and is trying desperately to create an industrial base, the usual package of policies enforced by the IMF will mean destruction of many infant industries, abortion of moves towards technological self-reliance, and, in extreme cases, mass starvation. In the late nineteenth century, the international adjustment mechanism forced on India by Britain was one of the major causes of famines that took a toll of millions of lives. If the IMF has its way and can insist on the abolition of food subsidies and rationing in a land chronically racked by harvest fluctuations and hunger, the adjustment may take the form not simply of unemployment, but of starvation deaths of millions of people. The current dispute between Bangladesh, one of the poorest countries of the world, and the IMF over the question of food subsidies should alert us to the fact that the dominant ideology of the rich nations would not stop short of demanding human sacrifices.

At the very least, the enforcement of the long-term IMF policies in a country such as India would mean the strengthening of monopolies, and of transnational corporations, ruin of small-scale manufacturers, further constriction of the domestic market for mass consumption goods and further sickening of industries catering directly and indirectly for such a market, and a severe setback to the cause of technological self-reliance of the economy. Spies and speculators of all kinds, operators in foreign markets and foreign finance, and easy money boys of all varieties, of course stand to benefit from the nation's misery. Short-sighted politicians at the top are perhaps hoping that once the IMF policies are set in train, with the increased powers of repression they have already assumed and any increase in such powers they will be able to rationalise in the name of discipline, and with the help of the increased foreign funds they will have at their disposal, they can get over the current crisis of the economy. Some capitalists are attracted by the gleam of Gulf money that may follow in the wake of IMF approval. Ordinary people in all walks of life must understand clearly that a tiny elite of power- and money-mongers are preparing once again to mortgage the whole future of the country in the service of a retrograde ideology peddled by a set of reactionary rulers of imperialist countries and at the cost of hundreds of millions of wage-earners and other poor people everywhere.

This article was originally written for a West Bengal Government publication.

Who's Afraid of the Loan ?

Swaminathan S. Aiyar

THE long-awaited loan of 5 billion SDRs from the International Monetary Fund has finally come through amidst predictable groans from our leftist comrades and grumbles from the USA. There is always something to be said for a deal that is castigated by both the left and right. Our leftist friends believe that the terms of the IMF loan are so harsh as to constitute an affront to our dignity, while the Americans think that the terms are so soft that it is practically charity.

Most commentators have devoted themselves exclusively to the first viewpoint, and agonised over the submission of the Indian economy to periodic review by an international agency (which some believe to be the handmaiden of a neo-capitalist conspiracy). Hardly any worth-while analysis has been made of the American arguments. But it is essential to do so.

Such an analysis reveals that all talk about the IMF being a puppet of the USA is sheer non-sense. Here is a case where the USA was allergic to a loan not only for political reasons but because of deep-seated ideological convictions. Yet it found itself totally isolated and without support in the IMF Executive Board, and finally saved face by abstaining from voting.

The USA pointed out that the loan to India was easily the biggest ever given by the IMF, and objected to such a massive loan being given to a country which already had five billion dollars in its foreign exchange reserves. President Reagan's philosophy lays down that developing countries should seek finance from commercial banks rather than from international agencies, especially in the case of a country like India which enjoys large reserves and a high credit rating. The IMF has given this philosophy a resounding slap in the face by not only sanctioning the loan but by warning India not to plunge too deep into the Eurodollar market. The USA had complained that the conditions laid down by the IMF are not specific enough. But one aspect on which the IMF has been most specific is to prohibit commercial borrowing of more than 1.4 billion dollars. What President Reagan views as prime virtue is seen by the IMF as a carnal pleasure to be enjoyed only in limited quantity.

The USA wants the IMF to return to its original aim of financing only short-term balance of payments needs, and imposing really tough conditions to ensure that a borrowing country makes the necessary economic adjustments within this short period. This indeed was the original purpose of the IMF. It was not intended to disburse aid. But now it has given India the biggest-ever loan permitting adjustment over a three-year period, with repayments of the loan being staggered over seven to ten years The USA is perfectly right in arguing that this is quasi-aid if not outright aid It is a measure of how far the IMF has moved in meeting the aspirations of the Third World that it has recognised the need for quasi-aid over and above it original function. It departed from its traditional role in the 1970s by first giving unconditional compensatory finance loans. It then formulated two major oil facilities, also without conditions, after the oil shock of 1973-74. It set up the Special Trust Fund from the profit of its gold sales, and disbursed this money in the form of unabashed aid. Now it has devised the extended facility, under which a country can borrow 450 per cent of its quota for structural adjustments spread over a longish period. This facility is linked to conditions, but is unprecedented in size and duration, and amounts to quasi-aid. Far from being an American puppet, the IMF is now accused by the USA of a sell-out to the Third World. That is perhaps the best certificate it has got for a long time.

Soft on India

Countries which go to the IMF for even a small loan are frequently administered very strong medicine by that body. By contrast, the terms of the Indian loan are incredibly soft, and involve perhaps fewer policy changes than ever in the history of IMF loans. This is precisely what the USA has objected to. And this is what our own negotiators are taking pride in. Mr M. Narasimhan, the Indian Executive Director in the IMF, is perfectly right in saying that the IMF has not asked India to follow any policies other than which it was already following. The IMF memorandum speaks approvingly of a long list of measures which India has already undertaken, such as special incentives for export production, automatic licensing expansion up to 25 per cent for industries, a liberal import policy, a rational price policy for public sector units which enables them to earn surpluses, and high interest rates to encourage savings and discourage credit. The memorandum says very little indeed about specific additional measures, merely that India will continue with more of the same.

This is because of the similarity between the policy framework of the Sixth Five-Year-Plan and the traditional philosophy of the IMF. The Sixth Plan stresses the need for curbing deficit financing, restraining monetary growth, encouraging exports, raising substantial resources by improving the efficiency of the public sector and the price of its products, reducing subsidies, and encouraging exports. All these policies are part and parcel of the standard IMF format. But let there be no mistake, this policy frame was formulated long before India applied for the IMF loan, and was not a result of IMF pressure. The similarity between the approaches of the Sixth Plan and the IMF must not be exaggerated. For instance, the Plan aims to raise the share of the public sector to 56 per cent of total investment against the actual 45 per cent achieved in the last Plan, and this can scarcely be to the IMF's liking. Indeed, the concessions given to the private sector in the Sixth Plan are mainly of a marginal nature relating to procedures, save in the case of exports, where substantial incentives have been given. This has proved good enough for the IMF, which is far from being the ideological demon that it has been painted to be by our comrades.

Doubling Oil Production

Another reason why the IMF loan is so soft is, quite simply, that India does not need to make really drastic adjustments. There are few other countries who can claim to have expanded domestic oil production by 60 per cent this year, with plans to double it again by 1984-85. Oil production alone will bring down the trade gap sharply by the end of the Sixth Plan, as our dependence on imports will be cut from 55 per cent to 30 per cent of consumption. This will put the economy back on an even keel if only the Government follows the discipline it has promised to do in the Sixth Plan.

That is a big if. In the past we have seen the Government flout Plan policies time and again. Deficit financing has invariably exceeded Plan ceilings, monetary expansion has gone well beyond target, and subsidies have burgeoned as fast as public sector losses. This lack of self-discipline has inevitably stoked inflation, which has not only created domestic misery but made our exports uncompetitive.

This is where the role of the IMF in the years ahead could be important. It will sit on the Government's head and make sure that the Government sticks to the Plan framework. This is not a case of the IMF imposing its regime on us. It is a case of the IMF imposing our own regime on us (if this can be called imposition). The loan is to be disbursed in instalments over the next three years and each instalment will be released only after a review to ensure that the Government is meeting its own performance targets.

Foreign Surveillance

Critics of the loan seem less concerned with any specific conditions laid down by the IMF than with the fact that India will have to subject itself to foreign surveillance and review. Those who claim, like Dr Ashok Mitra, that it is a sell-out to capitalism would doubtless argue that the Sixth Plan is a sell-out too, and no more need be said on that. But there are others (like Dr Malcolm Adiseshiah) who accept the logic of the Sixth Plan but object to its principles being implemented at the instance of a foreign agency. This kind of chauvinism is not new. There are any number of people willing to claim that every nation has a right to be financially irresponsible. Dr Ashok Mitra even has the satisfaction of being consistent, as he has been so irresponsible in managing West Bengal's finances that the State has a record overdraft.

Financial chuvinism of the Adiseshiah variety implies that it is not principles or policies which are important, but the colour of the skins of those who supervise these principles and policies. This is surely an unwarranted form of racism. No doubt it is deplorable that we need a foreign supervisor at all. If only we had faithfully implemented our own Plan policies, we would have been in far better shape and might never have required IMF assistance. It is most desirable that the Government should enforce self-discipline. But since it has never done so (and shows no obvious signs of doing so in future), one can take it as a desirable evil that the IMF should be imposing our own policies on us.

The odd thing is that if indeed we follow this discipline, we may well find that we do not need the full IMF loan. Thanks to Bombay High, our oil imports are going to fall, and if we observe monetary discipline, we will curb inflation and our exports will boom.

It is worth recollecting the gloom in this country after the first oil shock of 1973-74. But the curbing of inflation and a halt to oil price rises enabled our foreign exchange reserves to spiral to giddy heights within two years. The same could happen after the second oil shock, provided we control inflation again. The foreign exchange boom of 1975-80 owed a great deal to the inflow of invisibles from abroad. While data are scanty, it looks as though there has been a major slump in invisibles this year, which has eaten into our reserves. But the slump is almost certainly a temporary one. There have been slumps before, but they have never lasted. The long-term outlook promises slowly rising inflows. If invisibles revive, India may soon find its reserves rising instead of falling.

One incomprehensible aspect of the IMF loan is that there is a total mismatch between our projected needs and the loan instalments. Our projected needs are greatest this year, and get smaller and smaller in the years ahead. By contrast the IMF instalment this year is the smallest, and gets bigger and bigger in the two years ahead. By the time the biggest instalment of 2,300 million SDRs is due in 1983-84, India may have considerable difficulty in proving that it really needs so much money, as its payments gap at the time should be small or non-existent. In such circumstances the loan will be truncated or halted altogether. This will constitute an Indian success, a success of economic discipline.

(Reproduced from *The Hindustan Times*, Nov 17, 1981)

'Special Clause' in India's Loan

Amit Bhaduri

THERE IS a rather exceptional aspect of the loan which India has recently negotiated with the IMF. It basically restricts India's temporary ability to borrow from international commercial banks in a severe way. It is stipulated that during the first year of the loan arrangement with the IMF, the Government of India will limit contracting or guaranteeing of commercial loans with an original maturity between one and twelve years to no more than SDR 1.4 billion. This means that the *mix* between commercial and IMF credit during the early phase of the loan arrangement is being determined by the Fund rather than by the Government of India. This is unusual and its significance must be clearly understood.

The apparent reason behind this is simple : during the 1970's, countries like Brazil and Mexico emerged as the two biggest borrowers of commercial loans among the developing countries. They raised money on commercial terms, largely to avoid the registrictive conditions that are usually associated with an IMF loan. They were willing to borrow on stiffer terms and conditions offered by commercial banks, partly because their credit requirement was too large too be met by the Fund, but also because they did not wish to be constrained in their national economic policies by the Fund "conditionalities". The result of this is increasingly turning out to be very awkward for the IMF. It meant a corresponding reduction in the authority of the Fund over those developing countries which enjoyed favourable "credit-rating" by the international commercial banks. They could finance their economic plans through loans typically syndicated by a group of private commercial banks, while the IMF or the World Bank would have no control over such arrangements. This in itself was not particularly unacceptable to multilateral agencies like the IMF or the World Bank, who in any case have been only marginal partners in Eurocurrecy lending operations to developing countries in recent years. Thus, out of almost 42 billion publicly announced Eurocurrency lending in 1977, international organisations accounted for only 0.2 billion, that is, less than half a per cent. In 1978, the corresponding figure was even lower at 0.28 per cent, in 1979 at 0.36 per cent and in 1980 around 0.6 per cent. Being an insignificant partner in Eurocurrency lending, bodies like the IMF and the World Bank had already handed over the charge of the famous "recycling" operations to the large international commercial banks. So the point was not that they wanted to control commercial lending to developing countries, they simply wanted to ensure that such lending operations by commercial banks on an international scale will not lead to a financial disaster for the commercial banking system.

The point is well illustrated by the case of Brazil. The outstanding debt service obligation of Brazil during the current year is estimated at a phenomenal figure of 16 billion dollars. Brazil is obviously in no position to meet this debt service obligation without borrowing further, that is, without "rolling" her debt. From the national point of view of Brazil, this is clearly a sort of *debt-trap*—she borrows more and more to meet her outstanding debt obligation, until a breaking point is reached, like in the case of the German war repatriation clause at the end of the First World War. But it also implies an awkward shape of things to come for the international commercial banks. In a way, they also run the risk of being caught in a *lending-trap* : in order to

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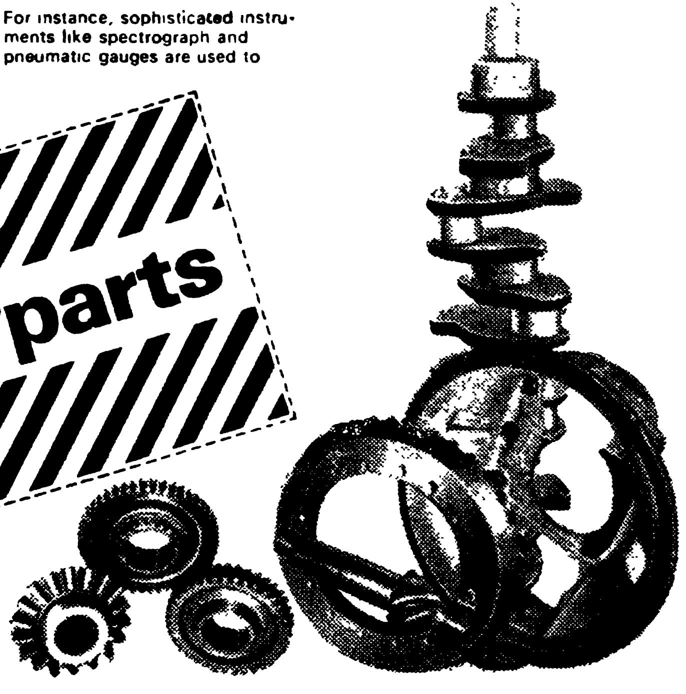

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maintain confidence in the international banking system, they will have to ensure that a major borrower like Brazil does not default openly, by permitting it to borrow on an increasing scale. In short, the debt-trap for a country may have its mirror image in the lending-trap for international commercial banks. In the interest of international commercial banking, the IMF today is being asked to play a role where banks can avoid such "lending-traps" in developing countries. The basic logic of the IMF "special clause" in India's case is to pre-empt India's right to approach international banks for commercial borrowing, so that India does not become another "lending-trap" for them.

But this logic goes deeper. With the quadrupling of the oil price in 1974, international commercial banks have been flushed with liquid deposits, which they must find a market to lend to. With severe economic recession gathering momentum in developed industrialised countries, commercial banks do not have sufficient outlet into OECD countries. Hence, the non-oil developing countries of the Third World have to provide market for international banking, as a variation on the classical theme of economic imperialism. Thus, commercial banks lending to non-oil Third World countries was around 40 per cent in 1976, 46 per cent in 1977, 48 per cent in 1978, 62 per cent in 1979 and 57 per cent in 1980 of their total lending (excluding loan supplied to the major capitalist countries).

The situation today, viewed from the angle of international commercial banks, is then almost paradoxical. They must lend to the developing countries on a large scale to earn profit, but they must also ensure that these poor countries with limited ability to repay, do not default. Our suggestion is that this "paradox" is now being attempted to be resolved through an international policing role by the IMF (and the World Bank) in the interest, and on behalf, of the international commercial banking system.

Take the case of India. Our international credit-rating is reasonably good and, in spite of poverty, the large size of the country offers a significant market for international commercial banking. Nevertheless, commercial banks would not be so inclined today to lend on a massive scale to India because of their fear of the "lending-trap" explained above in the case of Brazil. In order to ensure against possible default in future, they must rely on bodies like the IMF to do policing for them. In brief, India now borrows heavily from the IMF and is unable to repay this loan by borrowing separately from commercial banks. So, she comes under the IMF "conditionalities". The less apparent part is the fact that IMF conditionality imposed by India's getting into a 'debt-trap' then allows the IMF to force India to accept multinational corporations and foreign private investment, which provide a suitable vehicle for international commercial lending. The Indian market under IMF control is then 'opened up' for international commercial banks to lend on a safe basis. This scenario may today look only hypothetical, but also appears highly likely. This may well be the consequence of the 'special clause' and any democratic Government owes it to its electorate to explain what precautions it has taken against this likely outcome of the loan arrangement with the IMF. It is not good enough to say that India will never get into a 'debt-trap'. Political rhetoric must not cloud economic logic at a time when the economic sovereignty of the country is at stake.

(This article was originally written for a West Bengal Government publication).

Nyerere and Manley on the IMF

Julius Nyerere

THE IMF always lays down conditions for using any of its facilities. We therefore expected that there would be certain conditions imposed should we desire to use the IMF Extended Fund Facility. But we expected these conditions to be non-ideological and related to ensuring that money lent to use is not wasted, pocketed by political leaders or bureaucrats, used to build private villas at home or abroad, or deposited in private Swiss Bank accounts.

We also accepted that we could justly be asked how we were planning to deal with the problem in the medium or longer term. We could then have accepted or rejected such conditions, but we would not have felt it necessary to make a strong and public protest.

Tanzania is not prepared to devalue its currency just because this is a traditional free market solution to everything and regardless of the merits of our position. It is not prepared to surrender its right to restrict imports by measures designed to ensure that we import quinine rather than cosmetics, or buses rather than cars for the elite.

My Government is not prepared to give up our national endeavour to piovide primary education for every child, basic medicines and some clean water for all our people. Cuts may have to be made in our national expenditure, but we will decide whether they fall on public services or private expenditure. Nor are we prepared to deal with inflation and shortages by relying only on monetary policy regardless of its relative effect on the poorest and less poor.

Our price control machinery may not be the most effective in the world, but we will not abandon price control; we will only strive to make it more efficient. And above all, we shall continue with our endeavours to build a socialist society.

When an international institution refuses us access to the international credit at its disposal except on condition that we surrender to it our policy determination, then we make no application for that credit. The choice is theirs—and ours.

But such conditions do reinforce our conviction about the importance of the

Third World demand for changes in the management structure of the IMF. It needs to be made really international and really an instrument of all its members, rather than a device by which powerful economic forces in some rich countries increase their power over the poor nations of the world.

There was a time when a number of people were urging that all aid to the Third World countries should be channelled through international institutions. They honestly believed that such institutions would be politically and ideologically neutral. I do not know whether there are now people who honestly believe that the IMF is politically or ideologically neutral. It has an ideology of economic and social development which it is trying to impose on poor countries irrespective of their own clearly stated policies. And when we reject IMF conditions we hear the threatening whisper : "Without accepting our conditions you will not get our money, and you will get no other money". Indeed we have alreaay heard hints from some quarters that money or credit will not be made available to us until we have reached an understanding with the IMF.

When did the IMF become an International Ministry of Finance? When did nations agree to surrender to it their power of decision-making ?

(From President Julius Nyerere's New Year Message 1980 to the diplomats accredited to Tanzania.)

Michael Manley

Jamaica's experience of IMF stabilisation programmes is very recent and very salutary. Three months ago we discontinued our negotiations for further IMF support because, after three years of experience in which we struggled relentlessly to persuade the IMF to soften its conditions, we were convinced that

—IMF prescriptions are designed by and for developed capitalist economics and are inappropriate for developing economies of any kind;

—the severe suffering imposed on a developing society through IMF conditionality is endured without any real prospect of a favourable economic outcome and without an adequate foundation of social-welfare provisions to mitigate the hardships experienced by the people;

—the notion that with IMF approval international commercial banking institutions will supplement the funds made available by the IMF is a fallacy;

—the positive withholding of tranches of foreign exchange as a consequence of the failure to meet periodic IMF tests condemns the defaulting country to a worsening of the foreign-exchange situation which the IMF involvement itself is aimed at improving.

(Michael Manley, the then Prime Minister of Jamaica, in his message to the Conference on the International Monetary System and the New International Order, at Arusha, Tanzania, July 1980)

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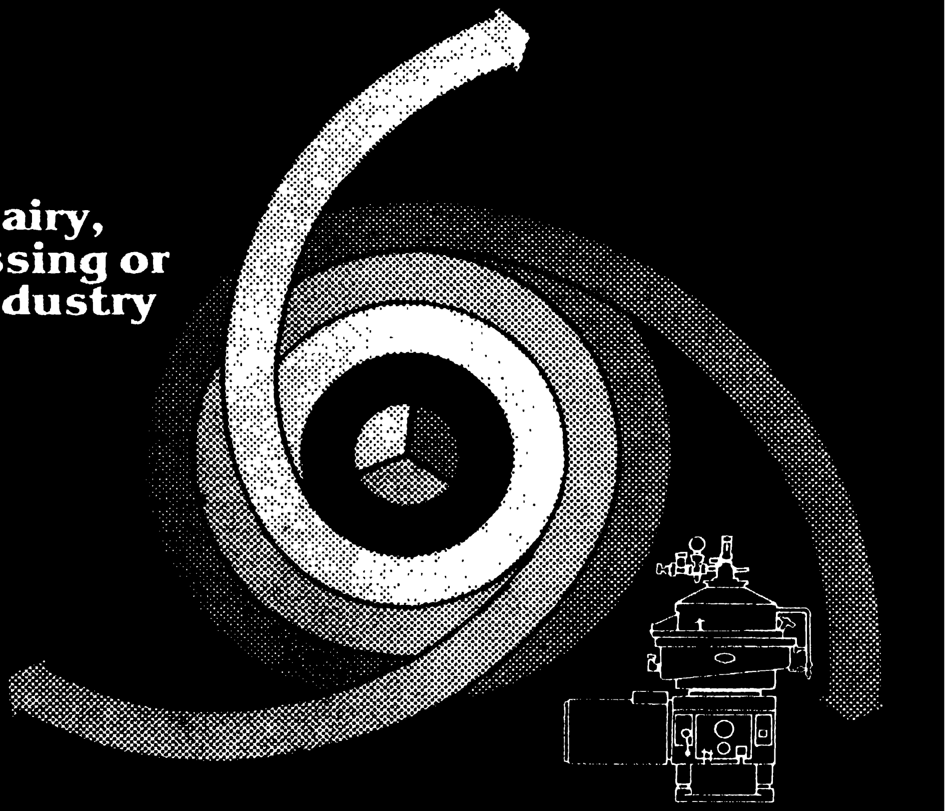

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The Oil Scene

OUR CURRENT programme of producing 30 million tonnes of crude oil by 1984-85 may be excelled substantially if one is to go by the observation of the Oil Minister of the Soviet Union, Mr N. Maltsev, at the conclusion of his week-long deliberations with the Union Ministry of Petroleum. He has expressed the view that it should not be an impossible task to step up crude oil output by 1984 to as much as 35 million tonnes. This, of course, will require expansion of the exploration programme four to five times the present level. Mr Maltsev has even opined that India can hope to become self-sufficient in oil in the forseeable future.

A protocol has been signed this week envisaging Soviet assistance in various aspects of oil exploration, drilling, equipment supply and training of personnel during the current decade. The assistance will concern on-land exploration under the perspective plan formulated by the Indian and Soviet scientists. About half of the 28 hydro-carbon-bearing prospective areas on-shore, which have been identified so far, are considered to be quite promising. The most promising ones belong to the West Bengal-Tripura basin. The protocol provides for the work of extensive seismic prospecting being taken up in this basin in the next few weeks.

Intensive Efforts

Four other areas intensive efforts in which can also yield wholesome results have been specifically mentioned in the protocol. Soviet assistance has been sought for drilling a deep well in the Ankleshwer area to assess the prospects of oil and gas in the deep sedimentary formations here. A fresh detailed analysis is to be made with the help of Soviet experts of the geological and other data of the Himalayan foothills in order to select the best methods of drilling in this region. Similar studies are to be conducted in Rajasthan and on-shore Cauvery basin.

Although the protocol does not contain any specific mention of the Krishna-Godavari basin, the possibility of Soviet assistance in exploration here is not ruled out. This basin did not figure in the talks with Mr Maltsev, but it may be covered by the provision in the protocol that many new areas of cooperation are yet to be identified specifically.

Artificial Lifting

A Soviet team is expected to visit India soon for formulating firm proposals for seismic and drilling work in the agreed areas of the Ranaghat-Jaguli-Krishnagar tract in West Bengal. The USSR has also expressed its willingness to assist exploration in the Calcutta Gravity High. About 40 Soviet experts will be coming to India next year to help the Indian experts in the drilling work in various other oilfields in the country. A programme for artificial lifting of oil by various methods in the on-shore oil-fields is envisaged to be formulated next year.

The Union Minister for Petroleum, Mr P.C. Sethi, has indicated that negotiations with foreign oil companies on exploration off-shore in respect of one block have already been completed. The decision on it will be taken in about a fortnight,

Another noteworthy development on the Indian oil scene in the recent weeks has been the discovery of hydro-carbons in the second well in the B-57 structure off Bombay High. The drilling of this well is going on briskly. There are prospects of this area throwing up a big oil potential.

Crude oil imports in 1982 are likely to be around 14.4 million tonnes. This assessment has been arrived at taking into account the likely increase in domestic production to over 18 million tonnes. Contracts for 9.3 million tonnes imports have already been entered into. Iraq will be supplying 3.5 million tonnes, though imports from here may be raised to five million tonnes, if necessary. Iran will make available 4.8 million tonnes under a long-term arrangement. Both Nigeria and Venezuela are to supply half a million tonnes each. The Soviet Union, which supplied 2.5 million tonnes this year, is to continue some supplies of crude oil next year as well, although the quantity to be imported from there is yet to be decided. There is no proposal to import any crude oil from Mexico during 1982. The tieing up of the balance imports is not expected to pose any problem in view of the easy supply in the world market. The necessary arrangements are expected to be finalised by the end of this month. Libya has offred to make part payment in oil for some of the construction jobs undertaken in that country by Bharat Heavy Electricals and Kamani Engineering Corporation.

Substantial Decline

The decline in the imports of oil and petroleum products next year, however, should be much larger than suggested by the crude oil import programme which involves a cut in these imports to the order of 2.1 million tonnes. This is because the imports of petroleum products too will go down substantially as a result of the commissioning of the six million tonnes throughput Mathura refinery. Some imports of such petroleum products as diesel oil and kerosene, of course, will have to be affected.

The softening trend in the global oil prices too is expected to contain the oil import bill even though the appreciation till lately in the value of the dollar in terms of the rupee will erode significantly the gain on this account. The firmness in dollar vis-a-vis the rupee, of course, has tended to loosen in the past couple of weeks. It is difficult to say how far this trend will persist. Even then, a good deal of saving should accrue in the overall POL import bill in 1982-83, provided, of course, the OPEC does not further jack up prices markedly.

DVC, NTPC Programmes

THE PROPOSED near-trebling of the power generation capacity of the Damodar Valley Corporation from the present 1361.5 MWs to 3861.5 MWs during the next 10 years should help in rectifying to some extent the neglect of the eastern region in the recent years in respect of additions to capacity. The 2,500 MWs capacity to be added to the DVC system by 1991-92 will comprise 1840 MWs thermal facilities and 660 MWs hydel power. The break-up of the present capacity is 1257.5 MWs thermal and 104 MWs hydel. There will, thus, be greater emphasis in the coming years on stepping up the hydel generation facilities, in line with the stress being laid on development of renewable power resources.

Of the above, the addition to capacity during the current Plan period, i e. by 1984-85, however, will be around 880 MWs—840 MWs thermal and 40 MWs hydel. In the thermal sector, four units of 210 MWs each are being put up. The first of these—the fourth unit of the Durgapur thermal power station—is to be commissioned this year. The other three units at Board-B station are slated to go on stream in April, 1984, March 1985 and September 1985. The hydel capacity of 40 MWs under the Panchet Pump Storage Scheme is likely to be ready by 1984.

The balance 1,620 MWs additional capacity will follow during the Seventh Plan period, an overwhelming proportion of it (1,000 MWs) through the setting up of a super thermal power station at Maithon on the Bihar-West Bengal border. The construction of this giant project is envisaged to be taken up by 1984-85.

In the hydel sector, 20 MWs (conventional turbine) and four pump storage units of 75 MWs each are to be put up between 1982-83 and 1988-89 under the Balphari Dam scheme. A similar programme of four pump storage units of 75 MWs each is envisaged to be implemented in the Konar Dam area between 1985-86 and 1991-92.

The transmission network of the DVC system, which on March 31, 1981, comprised 336 KMs of 220 KV lines, 2971 Kms of 132 KV lines, 723 Kms of 33 KV lines and 47 sub-stations, is to be strengthened by March, 1985, through the completion of five transmission lines all of 220 KV spread over 445 Kms and putting up of three sub-stations. Two more transmission lines, totalling 291 Kms, are are to be put up during the Seventh Plan period.

Impressive Programme

An equally impressive programme of power development has been entrusted to the National Thermal Power Corporation Limited for the current decade. Under it, 26 units—15 units of 200/210 MWs each and 11 units of 500 MWs each—are to be put up to an aggregate capacity of 8,500 MWs at Singrauli, Korba, Ramagundam and Farakka. Part of the new capacity is also to be put up at Badarpur. The NTPC is also constructing 7,000 Kms of 400 KV transmission line.

It has further been decided to entrust the NTPC with the task of putting up another 15,000 MWs capacity by 1995. This capacity is to be located at Talcher in Orissa, Kahalgaon in Bihar, Pench and Waidhan in Madhya Pradesh, Bhadrachalam in Andhra Pradesh, Singrauli (second project) in Uttar Pradesh and Delhi (a new power station).

The four projects currently being executed by the NTPC at Singrauli, Korba, Ramagundam and Farakka are stated to have made considerable progress this yeary. By 1990, 33 per cent of the thermal capacity in the country will be under the auspices of the NTPC.

Cold War in Bihar

THE BIHAR branch of the Indian Administrative Service Association, at its annual meeting held in Patna recently, passed a resolution, protesting against the "crippling interference" in the administration by the political leadership. The resolution expressed concern at the increasing trend to incapacitate the public services in Bihar from giving free and fearless advice and ensuring prompt and effective implementation of the accepted policies and programmes of the Government. It is not clear, however, what exactly is the nature of the grievances of the Bihar civil servants.

Are they complaining about arbitrary postings and promotions? Or, is it their contention that Ministers are deliberately preventing them from carrying out the policies of the Government? How is it that a similar confrontation between Ministers and civil servants has not taken place in the other States? The Association could have mentioned a few specific instances where Ministers have obstructed the implementation of policies. The public would be interested to know what has really provoked the Bihar bureaucrats to protest publicity and thereby indicate their lack of confidence in the leadership of the Chief Minister, Dr Jagannath Mishra.

The resolution adopted by the Bihar civil servants accused the State Ministry of ignoring the advice of the Prime Minister, Mrs Gandhi, who had said in her meeting with the Secretaries to the Government of India on September 5, that they should commit themselves to the national objectives and accepted programmes. This criticism would mean that it is Bihar's Ministers, and not the civil servants, who are standing in the way of the implementation of the national objectives. What does Dr Mishra have to say about this complaint? He has observed that the Association's resolution has raised the fundamental question whether in a parliamentary democracy the political leadership or the bureaucracy should havo the final say on policy matters. The Chief Minister should enlighten the public about the real reason for this conflict. It will of course, be setting a bad precedent if Ministers and civil servants are to rush to the press accusing each other of lack of cooperation. The civil service is supposed to be a "silent and anonymous service". But now that the Bihar branch of the IAS Association has adopted this resolution at its meeting, which was attended by 90 members, can the Chief Minister afford not to place before the public the point of view of his cabinet?

The problem of ensuring cordial relations between Ministers and civil servants has been persisting in India since the attainment of independence. The report of the Administrative Reforms Commission, submitted in 1968, said that "the desired emotional unison and unity of purpose is still to be realised". Is not this situation true today both at the Centre and the State level?

R. J. Venkateswaran writes from Calcutta

The Commission said : "Secretaries on their part need to have more understanding of the fact that the Minister knows more about the needs and feelings of the people he represents, and has therefore not only legal but also a moral right to intervene in administrative decisions. He is bound to cut red-tape and find delay to be irksome. It is essential that the Secretary and the other senior officers should not try to thwart the implementation of legitimate decisions taken by their Minister on the plea of procedural or similar other difficulties. They must, in all seriousness, try to implement the decision taken".

Bihar's economic progress will depend largely on how effectively and sincerely Ministers and civil servants cooperate with each other. The cold war atmosphere that prevails at present is not conducive to enhance Bihar's image in the country or improve efficiency in its administration. Both sides therefore should learn to adjust themselves and work together for promoting the people's welfare. If Mr Jyoti Basu can get on well with the civil servants, despite his deep differences with the Centre, why should Dr Mishra, who enjoys New Delhi's confidence, have difficulty in evoking their whole-hearted support?

Development of North-East Region

THE SEMINAR on the problems and prospects of industrialisation of the North-Eastern region, sponsored recently by the Assam Financial Corporation, made a series of recommendations to speed up the development and diversification of industries. Some of the proposals were of general nature relating to the improvement of administrative efficiency, strengthening infrastructural facilities, and toning up the various development agencies. But the seminar also offered some specific suggestions concerning the supply of power, raw materials, taxation and transport. As the Government of India has lately been showing an anxiety to tackle the economic problems of the North-East region with a sense of urgency it should give careful and sympathetic consideration to the seminar's findings and recommendations. New Delhi's task would have become easier if the seminar had concentrated on a few major issues instead of asking for a wide range of fiscal incentives and concessions.

The seminar set up committees to study in detail the various problems of industrial development in the North-East region. The committees consist of senior officers of the Industry Departments, and representatives of the Assam Financial Corporation, Industrial Development Bank of India, and consultancy organisations. In finalising their reports, the committees should indicate the priorities on which New Delhi should take action. They should also keep in mind the special problems prevailing in this region due to chronic infrastructural deficiencies and the absence of a spirit of entrepreneurship among the local people. Many States have introduced incentive schemes for promoting industrial development but even then they

Robot Technology by TELCO

IN LINE with the global trends and with a view to reducing production costs, the Tata Engineering and Locomotive Company Limited (TELCO), the largest manufacturer of commercial vehicles in the country, has gone in for robot technology. A glimpse of this was provided by the company at the India International Trade Fair.

Designed by its own engineers and technicians, the robot is capable of performing a variety of complex functions. It has helped to reduce the manufacturing costs in the press room by half by doubling production. The micro-processor system required for the robot too has been developed and manufactured by the young scientists of the company. Although some enquiries have been received from other industrial units, the TELCO does not have any plans for the time being to go in for mass production of robots. It is confining the robot use to its own manufacturing activities.

The Chairman of the company, Mr S. moolgaokar, does not think that industrial robot will have an adverse effect on employment. By increasing the production of commercial vehicles, it should, in fact, help augment the overall employment potential in the country, besides improving the quality of products manufactured.

The company has as well exhibited for the first time a new heavy-duty multi-axle commercial vehicle, along with various improved versions of the existing range of the manufactures and a 100 tonne crawler-mounted crane. Specially designed vehicles for export, particularly to cater for the West Asian market, have also been exhibited.

have not been able to make much progress. One reason for this situation is that these schemes have not been adapted to the circumstances of the State concerned. Some State Governments have simply copied the schemes of Maharashtra without relating them to their own requirements. The committees set up by the seminar therefore should make a thorough study of the schemes introduced in various States and indicate in which form they should be modified to suit the needs of the North-Eastern region.

The seminar suggested that the entire region should be treated as a backward area and that the Central investment subsidy should be raised from 20 per cent to 33 per cent, and that till this is done, the State Governments should introduce a capital subsidy at the State level. Further, it suggested that the nodal point for transport subsidy should be extended to Calcutta and Patna. At present this is given with reference to Siliguri. The financial implications of offering these subsidies need to be examined. So far as transport is concerned, the question of subsidy should be considered expeditiously since it will help to give an immediate fillip to development.

The seminar made some proposals relating to the supply of power, such as the need to reduce the tariff for industrial consumers and waiving the electricity duty on them for the first three to five years. This demand seems to be reasonable as similar concessions are given in several States. Meanwhile, steps should be taken to augment the total supply of power. The Assam State Electricity Board has said that the State has "an estimated 850 million tonnes of coal capable of generating hundreds of MWs continuously for hundreds of years". Besides, according to the Board, "we can also put to use the 1.80 million cubic meters of natural gas, now being flared daily in the Upper Assam oilfields, to generate an estimated 200 MW till gas lasts". The Board has said that it has the raw materials, the manpower, and the technical knowhow and that "we need only the financial resources and the green signal". The problem of effective utilisation of the power potential is not as easy as the Board seems to suggest. But, despite the difficulties, serious efforts should be made to make full use of the natural resources so that the surplus power can be transmitted to the deficit States in the country.

The seminar recommended that immediate steps should be taken to set up an infrastructural development corporation which would help to acquire suitable land for building industrial estates with power, water, drainage, roads and other facilities. But the experience of many States reveals that the formation of an infrastructure corporation by itself has been of little use in promoting industrialisation. For example, the Association of Indian Engineering Industry (Eastern Region) said recently that "West Bengal is witnessing a complete break-down of infrastructure which, far from attracting fresh investment, is resulting in a massive flight of capital to other States, and that too by companies which were firmly entrenched in this State for nearly a century". The problems of industrial development of the North-Eastern region therefore have to be tackled by a more imaginative and integrated approach.

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Window on the World

Reaganomics on the Warpath

V. Balasubramanian

THE LATEST public opinion poll (*Washington Post*—ABC News) has brought bad news to the President of the United States. It tells him that the American people are becoming more and more critical of his economic programme. Fiftyseven per cent disapprove of the way he is dealing with the unemployment problem, or rather his not dealing with it at all. Fortynine per cent disapprove of the manner of his handling the nation's economy and fiftyfive per cent believe that the economy is getting worse.

This grousing, however, comes in the wake of the easing of inflationary pressures as well as interest rates. Consumer prices rose at an annual rate of 4.4 per cent last month, the lowest increase since July. The Chase Manhattan Bank brought down its prime lending rate of 15.75 per cent in the third week of November, while other major banks moved down to 16 per cent, all in the course of weeks of declining short-term rates after the prime had stayed at 20.5 per cent for much of the second and third quarters of this year. Meanwhile the bond market has been reviving, signalling that Wall Street is willing not to push its pessimism about several aspects of the administration's handling of the budget package much farther than it has been doing all through summer.

Normally these trends ought to be of help to the administration in blunting the edge of disquiet about its handling of the economy—a disquiet which has tended to focus on the murderous increases in interest rates and the slump on Wall Street implying a lack of faith in the President's economic strategy even on the part of those whom Reagan has been most anxious to court and to impress. Actually, they do not seem to count for much. Even in the interest rate area, critical attention has now switched to long-term interest rates, which have not eased. This is taken to signify the continuation of inflationary expectations and in this reading of the economic outlook, even the recent sowing down of the rate of price increases is being dismissed as insufficient evidence of the basic inflationary situation having been altered.

Why this is so is not difficult to explain. While it was no doubt always realised that the Reagan economic recovery programme was seeking to cool off inflationary pressures by holding down increases in the growth of money supply, the price its monetarist emphasis would exact from the economy in terms of a decline in demand was never fully or very widely appreciated.

Small Talk from Washington

This lack of understanding was most pronounced in the case of the supply-siders within the administration or among the President's counsellors outside such as Congressman Jack Kemp, the author of the three-year, across-the-board, tax-cut plan adopted by the President. Sold as they were on their theory that the tax cut would raise the savings rate and spur investment in productivity and economic growth, they tended to underplay even to themselves the high probability that instant miracles were not of this earth and that even their supply-side magic might need time to perform its wonders.

The monetarists within the administration and outside were of course more knowledgeable about the interregnum during which tight money and high interest rates would necessarily exact their price in terms of lower economic activity. While they were convinced that this cost was acceptable for steering the economy towards a non-inflationary course, they were not so sure that the public or even the administration would fully share this perception with them if it knows to the last dollar what that cost could be. Hence they were playing their numbers close to their chests down to the past few weeks when it could no longer be hidden from public knowledge that the downturn in economic activity, which had started towards the close of the third quarter of this year, was the disturbing start to a rather deep and possibly prolonged recession.

Earlier this month, President Reagan had to confess that he no longer believed that the recession would be a slight one. The context in which he had to say this could not have been more adverse, for the statistics of unemployment had been emphasising for some time the steady spread of economic distress. That the President's own policies for cutting federal expenditure over a wide range of Government services and functions were directly eliminating jobs or turning off employment opportunities across the country did nothing to ease the situation for him. Even the *Wall Street Journal*, so ready always to make excuses for administration policies that do obeisance to its brand of conservative philosophy, has had to take note of such unpleasant incidents as a teenager losing his job of feeding stray dogs at the city pound because the civic authority is cutting its budget.

In macroeconomic terms the unemployment rate rose last month to a

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asonally adjusted eight per cent of the work force, only fractionally lower than the peak of 8.2 per cent reached in December 1975, when too the economy was in recession. The October jump marked yet another aggravation of an ascending unemployment curve, which had earlier featured a 7.5 per cent rise in September this year and a 7.2 per cent rise in August. The President's Council of Economic Advisers expects the unemployment rate to "move somewhat higher over the next few months, before declining as the economy strengthens in 1982". "When in 1982?" is the question. Here, again, administration and even more so other anticipations are becoming progressively gloomier. Most Reagan spokesmen will have the public forget that they ever claimed that the economy would be on the up and up again early in 1982. Even such of them as would stick to their professional optimism are now chary of naming a date earlier than in the summer of 1982.

Murray Weidenbaum, a mediocre academic, who is the lack-lustre Chairman of the President's Council of Economic Advisers, sounds more and more uninspiring as he keeps revising downwards his successive estimates of economic growth for 1982. Conceding that the current recession will be equal to at least the average contraction during the post-war period, Weidenbaum, who was earlier talking of a real growth rate of 4.1 per cent in 1982, now admits that it may not be more than one per cent.

Turn of Events

This turn of events has helped to knock the bottom out of the President's very personal campaign to move the federal budget towards fiscal balance by 1984. The longer it takes for the economy to recover to a higher growth rate the greater is the delay in the expected pay-off in increased federal revenues from supply-side economics. The President has now gone on record that it will no longer be realisitc to abide by his faith that federal spending could be brought in balance with federal receipts by fiscal 1984. He still pleads, however, that his administration can and should at least stay with its purpose of moderating the growth of federal spending, which has been rising at a rate of some sixteen per cent annually, to as close as possible to his target of six per cent and, in the process, steadily work the federal deficits down to steadily declining levels. But, even this modified aspiration is seen widely to be excessive, given the President's commitment to a sharply ascending scale of defence spending in the coming years compounded by his dogmatic insistence on total immunity for the Pentagon from budget-trimming exercises.

As it is, even according to administration sources, fiscal 1982 is expected to close with a deficit of over $90 billion, as against their estimate as late as in September this year that this deficit might be only about $ 43 billion. It is now being freely said all over the place, here in Washington and on Wall Street, that the federal deficits may well spill over into three figures in fiscal 1983, 1984 and beyond if the US were to keep financing the military build-up on the scale now being programmed.

President's Resolve

The President, however, seems determined to back his faith in his economic strategy by affirming his resolve to seek further cuts in non-Defence spending in fiscal 1983 and beyond. This declaration of intention has been hardly reassuring to the large number of Americans already expressing their concern through opinion polls that the President has been slashing social programmes too deeply and too indiscriminately on the unrealistic assumption that his economic recovery programme would compensate the affected sections of the population promptly enough by generating employment opportunities and most and more better paid jobs as well. The rub is that Reagan's abundant faith in the magic of supply-side economics has not spread in the nation to the extent necessary for the people to cease to be sensitive to the near and visible impact of the recession or the possibility that a combination of high military expenditure and persisting budget deficits will underpin the inflationary expectations, in the economy.

Unfortunately, again, for the President, just at this critical juncture in the fortunes of his economic programme has come the headline-making apostasy of David Stockman, Director of the Office of Budget and Management, who has been hand-picked by the President to put together a programme for reversing the trend of growth in federal spending and push through Congress budget legislation that would slash expenditure in fiscal 1982 by over $ 30 billion, an amount unprecedented in the history of the United States.

Doubting Stockman

A dedicated believer in cutting the Government to size and with a mastery of Government housekeeping equal to his zeal for pruning the chores, Stockman has wrought mightily for the President's goals and emerged in the process as the outstanding achiever of this administration. What has now left all of the United States bewildered and bemused is that this very same Stockman, it appears, had been having grave doubts about the economics, or even the ethics of the Reagan economic package even as he was debating with Congress on its behalf. He had been sharing his private thoughts with a Washington journalist over a series of Saturday breakfasts for eventual publication. They were duly presented earlier this month in *The Atlantic Monthly* and were an immediate sensation in the US capital where gleeful Democrats immediately pounced on them as an insider's exposure of the hollowness of Republican Reaganomics.

The substance of the Stockman confessional was this. The supply-side tax cut was too large in the context of the high level of defence spending and the President's reluctance, because of political problems, to cut social security benefits. The revenue loss from the tax-cut was augmented by tax shelters, tax loopholes and other fiscal benefits which the administration had traded for votes with which to win its budget battles in Congress. This had further damaged the fiscal conservatism which Stockman saw as the hard core of a sound economi

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recovery programme. The net result was that, although some impact had been made on the rising trend of Government spending, far from enough had been done to reverse the movement and thereby put Reaganomics to work in a sufficiently meaningful way. Its ability to stimulate non-inflationary growth has thereby been much reduced.

Candid Confession

Devastating as this critique from such a source was, the style of the Stockman apologia was destructive of the credibility of the Reagan economic programme just at a time when it needed all the fanaticism of the faithful to save it from the eroding impact of the recession. The Budget Director not only conceded that supply-side economics was only a version of the "trickle-down" theory of tax incentives for the rich working their way down the economy and causing benefit to trickle to the rest of the population through more jobs, but also would agree that the across-the-board tax-cut was only a "Trojan Horse", which was meant to cover up the reduction in top tax rates for the rich which was the real purpose of the administration. To make matters worse, Stockman also revealed that the spending cuts, as an indication of the progress towards fiscal balance, were misleading.

No wonder the President was outraged. Not only was the economics of his recovery programme denounced as a doubtful by the administration's frontman for budget legislation, but even its good faith was questioned, thereby inflicing damage on the credibility of the presidency as well as the President himself. Reagan extracted a retraction from Stockman, who apologised for his "loose talk and poor judgment" and then let him keep his job for the time being if only because it was not easy to find a replacement for a man who had so ably performed at one of the toughest assignments in the administration. However, there is a strong feeling among the President's men that the utility of Stockman as an advocate of Reagan budget policies before Congress has dwindled to zero. One devasting comment on the Stockman episode has been that of AFL-CIO President Kirkland, who has compared the Budget Director to a piano player in a house of ill repute who does not know what is going on upstairs.

Quite possibly it is this harrowing experience which steeled President Reagan to force a showdown with Congress on November 23, when, after vetoing a Bill because Congress would give him two billion dollars less in spending cuts than he had inisted on, he ordered about half a million federal employees on "non-essential" jobs, furloughed because Government had run out of cash for meeting the payroll. A hurried compromise, resulting in President and Congress agreeing on interim legislation authorising expenditure at current levels until December 15, enabled the affected employees to go back to work the following day. But the confrontation essentially continues and is really not about an additional saving of two billion dollars in a budget of over 700 billion dollars, but about raw power in the heart of Government. The President believes that it is absolutely necessary for the success of his economic programme that he should be able to impose his will on Congress should this becomes necessary for curbing Government spending to the extent or in the manner he thinks right. Congress, cutting across party lines, does not seem prepared to forego what it believes to be its constitutional right to share in setting the goals and filling in the contents of budget legislation. The Democrats, especially, with the 1982 Congressional elections looming on the political horizon, have every incentive to battle with the image of a Republican President who will not be denied. Reagan, for his part, is under even greater pressure to joust for the credibility of his beleagured economic programme, now harassed by the rift in his ranks.

And now for some good news.

Political uncertainties around the world seem to be routing capital and savings to the United States, where the Government is presently concerned with promoting the rate of domestic savings considered inadequate for the huge potential of investment opportunities in high-technology industrial growth. According to one estimate, West Germans now have an interest of at least 10 per cent in 460 manufacturing ventures in the US, Britain in 445, Canada in 326, Japan in 231 and France in 169. Foreign investments in American manufacturing concerns, amounting to more than $24 billion at present, show an increase of 40 per cent since 1978. Investment outflows from the United States, however, continue to be larger than the inflows, but the gap is narrowing.

Europe Attacks Reaganomics

V.R. Bhatt, London

REAGONOMICS, the economic policies formulated by President Reagan's Administration which are blamed by most West Europeans as harming a revival in Europe (and checking the revival in the USA) have been dealt two severe blows in the middle of November. The first was the surprising attack by no less a person than David Stockman, Mr Reagan's Budget Director on the so-called "supply side" economics as implemented by the President to restore health to the American economy. The second was the IMF (International Monetary Fund) approval for the 5.8 billion dollars loan to India against opposition by the USA, the most influential member of the Fund.

A pertinent question arising from these two incidents is whether Mr Reagan, who has been facing protests against and criticism of from American trade unions, industry and economic experts his policies which have an impact abroad including on developing countries will be persuaded to modify them. But in a similar situation the earlier monetarist exponent of the supply side monetarism Premier Thatcher of UK has stood rigidly firm despito growing unemployment, sharp falls in output and widespread opposition including from her own Party. Perhaps Mr Reagan though looked as deeply on monetarism may be forced to show more flexibility by the rising opposition in the American Congress (which unlike the British Parliamentary system does not always support the leader of the ruling party) and the public opinion.

US Overruled

Taking first the loan to India, the American opposition has its roots in the President's economic philosophy that market forces, massive cuts in state spending (except in defence) and incentives cutting taxes was the most effective way to economic health. Perhaps this made him unable to appreciate the problems of India and other developing countries which if left to foster would react adversely on the developed world. It may also been due to his extreme right wing political attitudes that such large loans to India would "Subsidise Socialism" or strengthen a supposedly pro-Soviet country. However, IMF members including America's NATO allies on the board withstood the American pressure. Western Europe and Japan have thereby demonstrated their independence of the Big Boy of the West and their confidence in the economic viability of India. The Guardian wrote an in editorial; "It is to the IMF's credit that it has for once overruled its most influential member. As the Cancun Summit fulsomely showed the White House still has little ken on Third World needs".

The importance of the IMF decision bout India can have wider implications. Mr Reagan who harangued the Third World, at Cancun to depend on market forces etc. has taken generally a hesitant not hostile attitude to various United Nations organisations which give credit "on easy terms" to developing countries many of whom are not creditworthy o borrow from private capital banks and would be in great distrsss without UN help. Perhaps the broader view of the growing North-South Divide taken other Western countries and allies may help to mitigate the harsh monetarism of American administration.

The second blow to Reaganomics by the President's own Adviser and Budget Director Mr Stockmau is a more severe jolt to the credibility of Mr Reagan's economic plans. Stockman in an article published in the American prestigeous *Atlantic* magazine described the main features of Reaganomics, the savege budget cuts (which have fallen heavily on the poorest sections of the American population) to balance tax cuts as poorly planned and hastily enacted. His sharpest criticism was that the President's "supply side" formula was adapted to justify big tax cuts of the rich on the ground that they would generate more money for investment. This has not occurred as the money released has found the high interest rates rather then risk capital the best investment.

Candour Applauded

While Stockman has been condemned by the President's supporters, his "candour" has been applauded by many including the Senate Finance Committee Chairman, Mr Robert Dole. His comments have been confirmed by the collapse of stock markets on Wall Street and the steady increase in inflation which has brought it to an annual rate of 14.8 per cent in November compared with 13.5 in 1980. Mr Reagan's aim to balance the budget by 1984 has now become impossible. The President's forecast that the deficit would fall to $43 billion in 1982 has been overtaken by the latest estimates including one by the Republican leader of the Senate who puts it as high as $80 billion next year. This would mean that American interest rates in the long term would remain high and continue the pressure on companies borrowing forcing them to shed more jobs while the automobile industry, one of biggest employers of labour, will be further hit as new cars which are generally bought on credit would be difficult to sell because of the financing costs to the buyers.

What concerns Western Europe is that the grip of recession on the American economy—the President himself described it recently as a real "downer"—will continue. The OECD in its most recent forecast to its members (which has been leaked out to the Press) predicted a deepening of the recession. The OECD had six months ago forecact a slow but continuous growth in it 24 member States the richest in the world. The USA is the OECD's and the world's biggest economy and the most important of the "motors" to revive the other ailing economies in the OECD and also help tone up international trade. If it goes on backfiring, as it is doing now, demand and output will fall, unemployment rise, budget and trade deficits grow. Diverting funds to defence even if it creates a few more jobs will not stop the slide but worsen it as it will at the cost of investment in more productive fields. A healthy American economy is like a tonic to the West and in its absence revival if any elsewhere will be slow.

The second "motor" is Japan which is however set on a collision course with the American and West European countries from its steady growth of exports which are more competitive in quality and price than the other OECD members. There has been no commensurate growth in Japan's imports with the result that its trade surplus this year is estimated according to Japanese economists to grow to between 12 to 13 million dollars. It is an ominous situation as the continuing threat of Japanese exports in cars, electronic goods etc. could lead to protection among other developed countries and thereby damage development of world trade and economy.

The third "motor" West Germany's prospect of revival are dim as a growth below one per cent is forecast by all the important German economic institutions. The French economy on the other hand is growing but is expected to be restrained in order to check the accompanying growth inflation.

In short the prospects of an economic revival are dim in the coming months. Though not caught up in the monetarist, dogma, the Soviet Union mainly due to its poor harvests is under economic strain. Year 1981 for most countries apart from Japan and oil rich Gulf States is set to be another year of slogging.

Point of View

Crisis in Coir Industry

R. B. L. Garg

Coir industry is one of the important traditional industries in the cottage sector in India and is also a major exchange earner. India, in spite of being a major exporter of coir and coir products may soon loose its eminent position because of recent trends of dwindling exports. The crisis being faced by the industry at present, according to the author, is mainly due to impediments created within the State itself which are crippling the industry.

COIR IS a natural fibre extracted from the husk of coconut. It is classed among the industrial hard fibres and enter the world markets in several forms such as spun yarn, floor coverings, curled coir, rubberised coir products, ropes, etc. India is one of the leading coconut producing countries in the world. Out of the 30 coconut-producing countries, only Sri Lanka and India utilise coconut husk for commercial extraction of coir fibre. India, however, tops the rest of the world in coir production, accounting for 50 per cent of the global output (Table I). Even though the Philippines is the leader in coconut production, coir production three is yet in an infant stage. In Indonesia also extraction of coir is yet to be developed on commercial scale. Tanzania and Bangladesh are among the marginal coir-producing nations. Thus, out of 282,000 tonnes of global production, as much as 14,000 tonnes of output originates from India, while 11,300 tonnes is produced by Sri Lanka and the rest (10 per cent) is shared by the remaining countries such as Bangladesh, Tanzania, Thailand, etc.

TABLE I

Global Production of Coir

Country	Production (in '000 tonnes)
India	140.00
Sri Lanka	113.00
Tanzania	8.50
Bangladesh	5.80
Thailand	3.00
Philippines	2.50
Burma	2.17
Kenya	2.00
Seychelles	1.90
Malaysia	1.50
Mozambique	1.00
Morocco	0.50
Total	282,05

Source : Coir Board, Cochin

Coir industry is one of the important traditional industries in the cottage sector in India spread over mainly in the thickly populated coastal regions of Kerala. Kerala alone accounts for 60 per cent of the total coconut production in the country, while 30 per cent of the production is shared by Tamilnadu and Karnataka. The other States such as Andhra Pradesh, Maharashtra, and Goa share the remaining 10 per cent of the production of coconut. It may be of interest to note that while Kerala's contribution in coconut production is 60 per cent, it accounts for 95 per cent of the total coir output in the country. It is due to the fact that only half of the available husk is put to economic use at present. The coir industry is highly labour intensive offering direct employment to over half a million people in rural India. The industry is unique in the sense that no industry so massive, so dispersed, so labour-intensive has been built around the exploitation of any other single by-product. Unlike cotton, jute and rubber industries, it does not depend on the main crop for its raw material but on the left over waste material of main crop.

The coir industry of India can be spilt into three main sectors, viz, fibre extraction sector, the spinning sector and the manufacturing sector, besides domestic marketing sector and the export sector. Bulk of the coir fibre produced in the country is utilised in the spinning yarn and manufacture of coir floor cove ings which include mats, mattings, ru and carpets. Among other coir produc are ropes, curled coir and rubberise coir goods. The major coir produc however, is the spun yarn, while ite such as coir ropes, curled coir and ru berised coir goods contribute only marg nally to the total coir goods produced the country.

Coir is a traditional export commodi of India. While a major part of the pr duction is consumed indigenously, Ind exports coir and coir products (near 30 per cent) to over 90 countries of t world. The bulk of our exports go the European countries which buy near 70 per cent of our total exports. T main consumers are the UK, France, t Netherlands, Italy, Belgium, etc. N to Europe the US is the largest buyer coir and coir products (14 per ce followed by East Asia (10 per cent), W Asia (5 per cent) and Africa (one cent). The export trends during the decade (Table II) reveal that there been an appreciable increase in the port earnings of coir and coir prod

TABLE II

Export Trends in Coir and Coir Goo

Year	Quantity (tonnes)	Value (Rs millio
1070-71	52,208	138.7
1971-72	52,312	148.5
1972-73	94,480	149.3
1973-74	46,759	155.8
1974-75	41,834	175.3
1975-76	37,284	139.5
1976 77	44,357	227.7
1977-78	42,444	239.1
1978-79	43,066	257.9
1979-80	49,224	372.
1980-81	28,605	254.

Source : Coir News, April 1 and Coir Quarterly, January 1 while the volume of exports has declined steadily. While India exported 52,208 tonnes of coir and coir goods for a price of Rs 138.71 million in 1970-71, the country got as much as Rs 175.36 million by way of foreign exchange for a quantity of 41,834 tonnes of coir and coir goods in 1974-75. However, there was a substantial decline both in value (Rs 139.52 million) and volume (37,284 tonnes) in the following year. There have been marked fluctuations in exports (never crossing 45,000 tonne-mark) since then, although export earnings have registered increase. In 1979-80 exports totalled 42,224 tonnes and the value increased to Rs 372.10 million. However, export of coir and coir products from India during 1980-81 slipped barely to 28,610 tonnes valued at Rs 255.47 million. This was the biggest fall quantitatively as well as in terms of value in the recent years.

In the composition of various items exported, the share of finished products in the total has increased in the recent years (Table III) except in 1980-81 when there was an alround decline in exports. Particularly, there has been a steep decline in the export of coir yarn in the recent year's which was a major source of foreign exchange earnings. The export of yarn declined from 23,535 tonnes in 1978-79 to as low as 13,486 tonnes in 1980-81. Although there has been increase in the export of mats, mattings and curled coir, yet it has been too small to compensate for the shortfall created by export of coir yarn. In 1980-81 except coir fibre, most other items registered a steep fall. Coir mats exports declined from 11,715 tonnes (Rs 119 million) in 1979-80 to 7,403 tonnes (Rs 82.33 million) in 1980-81 and those of coir rugs and carpets went down from 1,319 tonnes (Rs 13.22 million) to only 274 tonnes (Rs 3.6 million) during the same period. The export of curled coir also suffered a setback as it declined from 24.03 tonnes (Rs 0.55 million) to 14.80 tonnes (Rs 0.44 million).

TABLE III

India's Coir Exports : Item-wise

(Value in Rs '000)

Item	1978-79	1979-80	1980-81
Coir fibre	117	120	572
Coir yarn	101,275	155,547	87,306
Coir mats	99,479	119,126	82,330
Coir matting group	54,565	82,808	80,512
Coir rugs and carpets	10,032	13,220	3,677
Other sorts	274	249	137
Coir ropes	265	431	472
Curled coir	835	546	442
Rubberised coir	99	54	18
Total	257,982	372,701	255,466

Source : As above

Decline in Exports

Likewise, the export of rubberised coir (which is a recent entrant in the world market) also declined from 22 quintals to 5 quintals. However, there was only a marginal fall in the export of coir mattings in 1980-81 (7045 tonnes valued at Rs 80.51 million) in comparison with 1979-80 (7,942 tonnes valued at Rs 82.81 million). It is thus evident that in 1980-81 most coir export items have shown poor performance compared to 1979-80 in particular and any of the preceding year in general. It may be noted that some of the major countries importing coir and coir goods from India such as France, West Germany, Italy and the Netherlands imported much less (almost half) during 1980-81 against 1979-80. Exports to the US, Australia, Belgium, Denmark, etc also declined during this period. However, there was increase in exports to the USSR and Canada, but since they are marginal markets the increase in their off-take could not compensate for the deficit created by lower imports to the major markets. For instance, the total exports of coir yarn, coir mattings and coir mats to France declined from Rs 60.82 million to Rs 34.32 million during the last two years (1979-80 and 1980-81). Italy imported coir and coir goods worth Rs 15.73 million in 1980-81 as against Rs 36.09 million in 1979-80 while West Germany bought worth Rs 20.19 million as against Rs 43.36 million.

India, no doubt, is the world leader in the export of coir and coir products. However, the recent export trends suggest that in view of dwindling exports, the country may soon lose the pedestal position occupied by it till recently. Despite decades of development, the industry is still faced with some bottlenecks such as inadequate supply of raw material, obsolete and outdated methods of processing, competition from other substitutes and lack of quality control. Raw material for the production of coir fibre, viz., coconut husk, is still an under-developed product in India. Taking India as a whole, only 50 per cent of the available husk is put to economic use.

Controls are also crippling the availability of raw material. It may be pointed out that Kerala has an annual total production of 370 crores coconuts against the industry's requirements of 165 crores for husk. Thus raw material crisis is mainly due to impediments created within the State itself. The Husk Control Order, 1973, and other restrictions (such as regulation of movement of husk, coir, etc.) have been the major factors responsible for creating shortage of raw material. The various provisions prescribed under the order are so cumbersome that the producers engaged in retting and spinning operations have to approach the authorities many times before they get licences and permits for converting husk into coir fibre and yarn.

Keen Competition

Competition from other substitutes is yet another problem the industry is faced with. Coir yarn, which has been the mainstay of our exports in the past, has started showing a downward trend recently which is mainly due to keen competition from synthetics and other man-made fibre substitutes. The high cost of labour in the European countries (where coir yarn imported from India is converted into sophisticated consumer commodities) and emergence of international coir cartels have also affected our exports of coir yarn and other coir products in a big way.

Obsolete and outdated methods of processing of coconut husk have not only pushed up the cost of production of coir products but also brought about significant fall in their exports. The argument against mechanisation has been that it entails large-scale displacement of labour. Atleast five committees set up between 1972 and 1975 had examined this question and majority of them (including the one sponsored by the Kerala State Planning Board) favoured mechanisation particularly in the post-yarn stage in a phased manner. While mechanisation will doubtless throw workers out of employment, it seems unavoidable particularly when the industry is facing fierce international competition. It has thus to be recognised that the future of industry lies in the technological revolution which alone can usher in sophisticated designing to suit the taste of European consumer. It may, however, be added that displacement caused by mechanisation can be solve through diversification of products. The surplus labour may also be provided alternative employment opportunities under the coir rehabilatation scheme which is still under consideration of the Government.

Transport bottlenecks have also affected exports of coir and coir goods adversely. While some efforts have been made to ease the situation, shortage of wagons still persists which renders it difficult for the traders to send off the goods to various destinations. The problem of quality control also deserves serious attention. There is no doubt that the colour and design finish of Indian products is sturdy and durable, yet there is scope for improvement. This factor is of great importance for products like coir mats and mattings, for which the buyers are always "choosy" in selecting quality, designs, patterns etc, not only from the range of coir products but also between competing products,

Coir industry is an important cottage industry both from the point of view of employment generation and export earnings. It is, therefore, necessary that effort is directed to make the industry viable and more paying. It is heartening that a national plan to tone up coir industry is under active consideration which would step up employment potential by more than 50 per cent. An important aspect of the proposed plan is to boost export and employment opportunities through product and market diversification. The success of the plan no doubt will untie many knots of the industry which, of course, depends upon effective implementation. So long as the problems of shortage of raw material and obsolete methods of processing persist, there is no hope pushing the industry out of wood.

Shifts in Crop Productivity Variations

R. K. Pandey & Vimal Kishore

In the agricultural sector increase in the crop output per Unit of land is an important indicator of development and during recent years considerable effort has been made to increase the yield in crops. The authors who are associated with IASRI, New Delhi and CSWCRTI, Dehradun, have analysed the interplay key of elements depicting impact of technological changes on the agricultural productivity and regional growth.

INCREASE IN the crop output per unit of land is an important indicator of development in agricultural sector. During the recent years, considerable attention has been paid to agricultural research leading to increase in the yield of crops. Crop yield per unit of land among other things, is influenced by the application of factors of production, better management technique and physical factors, e.g. soil type, topography, weather, rainfall, etc. Crop yields rose by 12.5 per cent during 1950-51 to 1960-61. This increase was 14.7 per cent during 1960-61 to 1970-71. The ranking of States in the terms of crop yields has varied onsideracbly over the period under consideration.

The present study is devoted for the analysis of variations in the crop yield and some of the selected inputs, e.g. fertiliser use, gross area irrigated and area sown more than once in various States. The more specific objectives of the present study are as follows. (i) To compare the yields of foodgrains, use of fertilisers, proportion of irrigated area and intensity of cropping in various States for the periods of 1950 51, 1960-61 and 1970-71 and (ii) to study the net shifts in crop productivity and other selected variables in various States.

The output per unit of land, besides other factors depends mainly on inputs e.g. irrigation, fertilizer use, cropping intensity, use of high yielding seeds, etc. The growth and availability of various inputs have varied widely among the different geographical regions. Differential growth pattern of resources strongly influence the development and resource use in agriculture. It has also an important bearing on growth of output.

To examine the relative positions of States in terms of crop yield and other selected variables as mentioned above, ranking was done at various points of time. The measurement of relative change has been done as various combinations of increases or decreases relative to the national average.

The net shifts in these variables have been studied. The net shifts which are used to measure State and regional growth are relative gains and losses among the States with respect to a given variable in comparison to the national figures. In measuring the yield changes or changes in any other variable under study during the two periods, the percentage increase in the variable at national level for these years is applied to each State. This gives 'expected change' in the variable during the period under study if it had increased 'uniformly' throughout the States. This 'expected change' is compared with the 'actual change' in the variable. The fact that yield rate or other variables did not increase uniformly throughout the State implies that some States gained more and other less than the expected increase. This also implies that the various States have been benefited differently.*

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* Details of the method can be seen from the H S. Perloff et al.; *Regions, Resources and Economic Growth*, University of Nebraska Press, Lincolon, 1967.

relative to the national averages are as follows:

Net upward shifts in yield of foodgrains, fertilizer use per unit of land, proportion of area irrigated and cropping intensity. Punjab and Tamil Nadu States fall in this catagory. Punjab State has gained most by the technological change, mainly because of its upward shift relative to the national average on all the four counts. Its first rank in yield is supplemented by first rank in terms of fertilizer use, first rank in terms of gross irrigated area and fourth rank (with upward shift) in terms of cropping intensity. On the other hand, Tamil Nadu State, which has fourth rank in terms of upward shift in yield has gained by the development process in fertiliser use, gross area irrigated and also cropping.

Upward shift in yield of foodgrains and fertilizer use and cropping intensity with downward shifts in gross area irrigated : Rajasthan is the only State, which has made an upward shift in yield of foodganins with an above average increase in fertilizer use and cropping intensity followed by downward shift in gross area irrigated. Thus in this State, fertiliser use and increase in cropping intensity, seem to have been changing independently of the irrigation.

Upward shift in yield of foodgrains, gross area irrigated and cropping intensity followed by downward shift in fertilizer use : Bihar is the only State, which has made an upward shift in yield of foodgrains: with upward shift in proportion of gross area irrigated and cropping intensity followed by downward shifs in fertiliser use.

Upward shift in yield of foodgrains, gross area irrigated and fertilizer use followed by drownward shift in cropping intensity : None of the States fall in this category.

Upward shift in yield followed by downward shift in fertilizer use, proportion of gross area irrigated ***and cropping intensity*** : Himachal Pradesh and Karnataka are the two States which fall under this category. These States have made relative losses in terms of fertilizer use, gross area irrigated and cropping intensity. Clearly these States have relatively high potential to increase the yield of foodgrains. However, this phenomenon may be the play of one or more of the passive variables like high yielding seeds use etc.

Upward shifts in yield and gross cropping intensity followed by downward shifts in fertilizer use and gross area irrigated: Maharashtra region falls uuder this category. The relative increase in yield cannot be related to the facts chosen in the study. However, it may be the play of new variables like use of high yielding seeds in larger amounts etc. The increase in cropping intensity in the absence of relative increase in irrigation is, remarkable in this case.

Downward shift in yield followed by

TABLE III

Actual and Net Shifts in Gross Area Irrigated and Cropping Intensity

State	Proportion of Gross Area Irrigated						Cropping Intensity					
	Actual level in 70-71	Expected level in 70-71	% increase in 70-71 over 50-51	Absolute shift (2—1)	% Net upward shift	% Net downward shift	Actual level in 70-71 (8—7)	Expected level in 70-71	% increase in 70-71 over 50-51	Absolute shift	Net up ward shift %	Net downward shift %
	1	2	3	4	5	6	7	8	9	10	11	12
Andhra Pradesh	31.64	44.42	-5.76	- 12.78	—	17 06	98.82	96.16	2.77	+ 2.66	3.29	—
Assam	20.62	28.02	—0.38	— 7.40	—	9.88	118.50	111.85	5.94	+ 6.65	8.23	—
Bihar	24.77	21.52	10.27	+10.27	25.87	—	109.20	106.97	2.73	+ 2.93	3.62	—
Bombay	13.01	16.02	4.01	— 3.01	—	4.02	108.74	105.26	3.30	+ 3.48	4.31	—
J & K	3.81	10.82	0.01	— 7.01	—	9.36	108.79	25.86	13.48	+12.93	16.01	—
Kerala	20.49	27.13	0.38	— 6.03	—	8.86	133.62	122.02	9.51	+11.60	14.35	—
Madhya Pradesh	7.49	13.52	0.99	— 6.04	—	8.05	107.80	112.52	4.20	— 4.72	—	31.42
Tamilnadu	46.18	41.72	11.48	+ 4.46	11.23	—	103.60	100.92	2.65	+ 2.68	3.32	—
Mysore	12.44	25.05	- 5.59	—12.61	-	16.83	98.44	98.82	0.38	— 0.38	—	2.53
Orissa	19.24	21.22	5.04	- 1.98	—	2.64	123.71	101.96	21.37	+21.79	26.96	—
Punjab	60.86	46.52	21.36	+14.34	36.12	- -	134.50	123.21	9.16	+11.29	13.96	—
Rajasthan	14.66	18.42	3.26	— 3.76	—	5.02	100.64	98.78	1.88	+ 1.86	2.30	—
Uttar Pradesh	35.95	25.32	6.65	+10.63	26.78	—	127.91	130.87	2.26	+ 2.96	3.65	—
West Bengal	21.72	30.12	-1.38	— 8.40	—	11.21	115.03	121.87	5.61	— 6.84	—	45.54
Himachal Pradesh	17.12	22.42	1.72	— 5.30	—	7.07	150.82	153.90	2.01	— 3.08	—	20.51
All-India	23.02	23.02	7.02	000.00	100.00	100.00	100.21	110.21	8.96	000.00	100.00	100.00

upward shifts in fertilizer use, gross area irrigated and cropping intensity : The only State that falls under this category is Uttar Pradesh. Despite the relative gains in the resources over the national average, this State could not reap the fruits of these relative gains. In spite of the second in terms of upwardshift in fertilizer use and gross area irrigated and seventh in terms of upward shift in cropping intensity, the yield of foograins has shown a downward shift. There seems to be the play of inefficient use of the resources and low productivity of land.

Downward shifts in yield of foodgrains and fertilizer use followed by upward shifts in gross area irrigated and cropping intensity : None of the States fall in this category.

Downward shifts in yield, fertilizer use and gross area irrigated followed by upward shift in cropping intensity : Assam, Jammu & Kashmir and Madhya Pradesh States fall under this category. These States seem to be subsidising the relating losses in terms of below average increases in yield, fertilizer use and irrigation by increasing the cropping intensity.

Downward shifts in yield and gross area irrigated followed by upward shifts in fertilizer use and cropping intensity. Andhra Pradesh and Kerala are the two States which fall under this category. The relative increase in fertilizer use and cropping intensity could not help these States in making relative gains in yield of foodgrains in the absense of relative increase in the proportion of gross area irrigated.

Downward shifts in yield, gross area irrigated and cropping intensity followed by upward shift in fertilizer use : Madhya Pradesh falls in this group. This State has marginally increased the fertilizer use while making relative decreases in terms of yield, irrigated area and cropping intensity.

Downward shift in yield, fertilizer use, irrigated area and cropping intensity: The State of West Bengal falls under this category. The progress made in all the aspects under study is below the national average. This is justified by the shifts in the ranks occupied by this State initially in 1950-51 and finally in 1970-71. It occupied first rank in terms of yield in 1950-51 which became fourth in 1970-71. Its rank in fertilizer use during the same period shifted from fifth to ninth, in terms of gross area irrigated its rank shifted from fifth to sixth and in terms of cropping intensity from fifth to seventh during the same period.

The study shows that during the period 1950-51 to 1970-71, the technological change and development of resources in the country helped some States more than others. While some States like West Bengal, Kerala, Assam, J & K and Uttar Pradesh, which were placed within the first six States in terms of yield in 1950-51 lagged behind during 1970-71, due to less than average progress made by them in terms of resources. States like Punjab which had eighth position in 1950-51, occupied the first place in 1970-71. Himachal Pradesh gained by occupying the sixth rank in 1970-71 against tenth in 1950-51 and Tamil Nedu occupied the third rank in 1970-71 against fifth, initially, in 1950-51. The same type of (differential) regional patterns of growth were noted in the case of fertiliser use, irrigation and cropping intensity.

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Focus on Industry

More Instruments from Kota

CONSISTENT effort to improve the quality of instruments and also to increase the range of products has brought rich dividends to the Instrumentation Ltd, a public sector unit located in Kota, Rajasthan. The production of the company during 1980-81 crossed the level of Rs 22 crores as against Rs 18 crores achieved in 1979-80, thereby showing an increase of about 23 per cent in one year. The turnover of the company also stepped up to Rs 40.93 crores.

Brig Y. Nirula, Chairman-cum-Managing Director, stated recently that in spite of various constraints such as non-availability of power, strike of casual workers at sites, delays in payment of dues by the customers and others the company has declared a profit of Rs 3.85 crores. Notwithstanding tough competition from other indigenous manufacturers in local tenders as well as manufacturers of international repute in global tenders issued by NTPC and others, the company received orders worth nearly Rs 33.11 crores raising its order position to nearly Rs 98.17 crores as on March 31, 1981.

New Products

New product ranges like pneumatic P-3000 secondary range was marketed in a big way for the first time and supplied to Mathura Refinery, Gauhati & Barauni Refineries and an order obtained on a turn-key basis for Acrylic Plant at IPCL, Baroda.

Similarly, new thrust was made by getting an order on turn-key basis for cement plant a Adilabad against tough competition and orders for large gas analysis equipment from M/s Ashok Leyland and Panyam Cement. Work at 15 sites in India including one foreign project in Malaysia was completed during the year and new offices were opened at Kota TPS, Badarpur, Renusagar and the first super power station at Singrauli. At present work on 25 sites is in progress.

Company launched a joint venture project in cooperation with the Rajasthan Industrial & Investment Corporation for the manufacture of Electronic Milk Analysers at Jaipur. Rajasthan Electronics and Instruments Ltd has been set up with the main object to manufacture Electronic Milk Analysers in India in technical collaboration with M/s N. FOSS Electric, Denmark. The Milk Analysers are used for measuring fat content in a given milk sample at the milk collection centres.

Another area in which the company has advanced considerably is in the strengthening of a Computer System Group to supply sophisticated Data Acquisition Systems to various thermal power plants.

R & D Efforts

A full fledged R&D Centre with its separate building for laboratory and workshop is now nearing completion. In the mean time a large number of products have been translated from the design stage to regular production. Most of them have been received well in the market. A number of such developments have received national recognition and the employees have received awards from management of the company.

The instrumentation industry is highly sophisticated and its technology needs to be continuously updated. The incidence of obsolescence is very high and to keep abreast of all this, the company lays a lot of stress on quick indigenisation activities and import substitution. Towards this direction there has been a lot of progress in the indigenisation of our product range which were introduced with technical assistance from our collaborators in mid' 76 in the area of electronic and pneumatic instruments and on line gas analysers. These efforts of the company will establish an indigenous base for future development of instruments.

One of the most stringent quality assurance practices are adopted by the company and have received appreciation from customers for the quality of individual products and the good results shown in the projects commissioned by the company at Vijayawada (APSEB), Nasik and Bhusawal (MSEB) and Tuticorin (TNEB) to mention a few.

Another example of the meticulous quality are the flow nozzle assemblies designed and manufactured for critical flow measurements in boiler applications. A typical flow nozzle assembly, designed and manufactured for India's first super thermal power station at Singrauli, was recently calibrated and tested at Central Electricity Generating Board, UK, a world renowned authority in this field.

The company has devoted considerable attention to this important activity and this year orders worth nearly Rs 2.16 crores were placed on ancillary industries and small-scale industries as compared to about Rs 1.3 crores in 1979-80.

More and more assistance in the form of providing guidance, supply of raw-material, components, tools and gauges is being done for the benefit of the young entrepreneurs and a lot of opportunities exists for such ancillary work.

Diversification Plans

With the diversification schemes launched earlier by the company, the production and turnover have steadily improved at both the plants as also the programme of indigenisation. However, looking at the market it has been increasingly felt that more areas of diversification should be taken up by the company to fill the gaps of customer requirements based on the global tenders now being issued by the State Electricity Board and NTPC.

In order to meet the competition from within the country as well as from abroad, the company has prepared some schemes for implementation during the Sixth Five Year Plan which are being examined by the consultants and other departments of the Government for implementation. The major schemes pertain to micro processor based Control Instrumentation Systems and special type of Control Valves. These schemes are considered logical extension of the present activities of the company and with the indigenisation of present programme and 'In-House' R&D efforts, the company is well on its way for further dynamic growth and meet the challenges posed.

A New Look at Land Reforms

Political Economy of India : (A Study of Land Reforms Policy in Andhra Pradesh) : B.A.V. Sharma; Light and Life Publishers, New Delhi; Pp 569; Price Rs 150.

Management Perspectives for Economic Growth and Human Welfare : Oxford & IBH Publishing Co.; Pp 452; Price Rs 95.

Principles and Practices of Management : Shyamal Banerjee; Oxford & IBH Publishing Co.; Pp 724; Price Rs 40.

Mass Media in India 1979-80 : Research and Reference Division, Ministry of Information and Broadcasting, Government of India; Pp 273; Price Rs 22.

Union-State Financial Relations in India : Shailendra Singh; Sterling Publishers Pvt. Ltd, New Delhi; Pp 139; Price Rs 50.

Linking Bonus with Productivity : G. K. Suri; Shri Ram Centre for Industrial Relations and Human Resources, New Delhi; Pp 317; Price Rs 85.

Reviewed by **Academicus**

THOUGH *Political Economy of India* is mainly concerned with land reforms in Andhra Pradesh, it can truly be said that it epitomises the evolution and implementation of land reforms policy in India.

The thirtythree papers and the excellent introduction by B.A.V. Sharma who has edited the book makes it clear that in India the pattern of political power-structure and the pattern of land ownership are closely interlinked and this has cast a deep shadow over the nature of land reforms legislation and its implementation. What is special about this book is that whereas any number of books have been written on land reforms in India since independence, they mostly look at the problem from purely economic angle whereas this book looks at the problem both from economic and political angle.

The various papers in the book have made it abundantly clear that while studying land reforms in India, economic and political aspects of the problem cannot be dissociated, and that it is absolutely necessary to view the problem as that of political economy and not that of pure economics.

Part I of the book has tried to place land reforms in the overall constitutional and planning framework. It is observed that while land reforms policy has to be so framed as not to abridge the fundamental rights, at the same time such a policy is expected to promote the directive principles enunciated in the Constitution.

Part II is concerned with the role of political parties in India, an integral part of the parliamentary democracy. Various papers in this part have explained the ideologies of different political parties. It is noticed that while some Indian political parties believe and advocate multi-class and general political mobilisation, some leftist parties believe in class mobilisation of peasants and in the theory of class conflict. It is only the radical leftist parties which seem to be working for the poor peasants and landless agricultural workers.

BOOKS BRIEFLY

In part III, we get interesting analysis of various 'interest groups' which in India happen to greatly influence policy-making of the Government. It is observed that landlords are well organised as a group whereas small farmers and agricultural labourers lack both political consciousness and organisational ability. This explains why in spite of their overwhelming number their influence on policy-making is almost negligible.

Part IV is concerned with the process of land reform legislation in the Legislative Assembly and role of different political parties in articulating their views in the legislature. It is observed that generally it is the executive that formulates policy and legislature simply ratifies it. But since both the executive and the legislature are controlled by the same political party, there is no clash between what the two organs of the Government do. It follows that the composition of the legislature and the executive has great influence on land reforms legislation. It is obcserved that in Andhra Pradesh as also in most other States in India, the class of landlords has come to dominate these two constitutional organs and hence the Government's policy-making and its implementation. Part V of the book gives a detailed analysis of land reforms legislation in Andhra Pradesh.

Part VI deals with problems and functions of bureaucracy and judiciary which are vital constituents of the Government. Formulation and promulgation of detailed regulations based on the statute and their implementation are the functions of bureaucracy. The fuuction of the judiciary is adjudication of disputes arising out of the statute and administrative rules and their implementation. It is observed that being in possession of expertise, bureaucracy not only formulates rules and implements a policy but actually influences it.

Judiciary's Bias

It is noticed that in most States in India, not only political leadership comes from the land-owning classes but even those who occupy key-positions in the executive and judiciary come from the same class. This is so right from the national to the village level where most chief functionaries are invariably big or petty landlords. Naturally it is alleged that "the verdict of the judiciary has been favourable to landed interests and it has not gone out in full support of the poor peasants."

Part VII of the book has tried to evaluate the impact of land reforms policy in terms of its objectives.

The book provides us with a panoramic

view of the land reforms movement in India in general and Andhra Pradesh in particular. We get in the book a touching account of the grand Telangana armed struggle during 1946-51, of the Srikakulam movement during 1960s, and land-grab movement of 1970s. But it is observed that due to stronghold of landlords over the Government and due to repeated splits in the leftist political parties, even organised peasantry could achieve only marginal gains in Andhra Pradesh. This is also true of other States in India.

The papers in the book have made it clear that unless the class of peasants come to be associated at all levels with policy-formulation and its implementation in an effective way, true land reforms in India would remain a mirage. It is clear that land reforms is closely linked with the power-structure in the country. We have been trying to bring about land reforms without basically altering the political power-structure in the country. Is there any wonder that land reforms by and large have failed to realise the objectives ?

ALL ABOUT MANAGEMENT

In December 1978, the 18th World Management Congress was held in New Delhi. The theme of the Congress was 'Management Perspectives for Economic Growth and Human Welfare'. The book *Management Perspectives for Economic Growth and Human Welfare* contains the profound opinions expressed by professional managers and experts on the very vital subject mentioned above.

Dr. Bharat Ram in his presidential address has rightly emphasised that "concepts like 'economic growth', or 'human welfare' or 'management' can be understood only in the context of the fundamental requirements of human life." He also pointed out that "should they choose to do so, a nation's management in industry or in Government, are most favourably situated to improve the life-style of the masses."

There is a section dealing with 'Management Culture'. Peter F. Drucker has emphasised that "Resources are not made by nature. They are made by man. . This is the central task of management. It is particularly important in developing countries."

Sixto K. Roxas has rightly emphasised that "every system of management naturally carries with it the cultural equipment it derives from the peculiar history and circumstances of the society from which it is evolved." This explains the characteristic features of Japanese management : the strong collective orientation, the commitment to community. . the familial and paternalistic system flowing over to labour and employer relations." Taking the instance of South Korea, the author has emphasised that "individualism. . . . can actually be counter-productive, if allowed to function in a nation historically accustomed to more socially oriented values and mores."

New Technology

John Marsh writing on 'Regional Characteristics of Management' has emphasised that "the world is at one and the same time a very complex amalgam of industrial and social systems, yet with the rationalisation brought about by science and technology, we are nearer to understanding each other's processes in adding to the wealth, health and happiness of people." The author has provided the important guidelines: concentrate on the basics of organising work simply; avoid jargon and avoid mystiques of this new art and science; and do not make management a new religious cult with its hierarchical priesthood and acolytes.

T. Shiina has made out an important point that "the concept of business enterprises belonging to the community, is firmly taking hold with the incidence of environmental pollutions and the heightening of cosmology." He therefore wants top managements of enterprises today to concern themselves seriously not only with the affairs of the enterprises but with the affairs of the community.

Discussing the 'Changing Public Policies and Management', Sir James Lindsay has dealt with five themes affecting modern management: the interdependence of world economy: instant communication; fast-changing values and value-laden situations to which managements must respond; growing role and influence of pressure groups on company affairs; and complexity of multiple environments a company encounters when it starts to operate transnationally.

P.J. Fernandes has made out an important point. According to him, public sector has come to stay and in future it is going to expand. All economies would thus be mixed economies. And therefore instead of a policy of confrontation between public and private sector each highlighting the worst aspects of the other, "there is grave need for finding modus vivendi between the two major instruments of development in a mixed economy." Neither one could be professionally healthy, if the other is sick. And therefore their roles should be cooperative and mutually supportive.

There are number of interesting articles on 'Management and Technology.' Jermen M. Gvishiani has maintained and rightly that "the scientific and technological revolution constitutes a major qualitative transformation of the productive forces" and that revolution has been influencing all spheres of modern life including education, mode of life, culture and human psychology. According to Guido Brunner, "new technology is a great source of new wealth, but only if it is correctly managed at every level."

Complex Amalgam

Writing on acquisition of new technology by developing countries, Raymond K. Appleyard has emphasised that newly acquired technology must conform to the overall strategy, whether it be a country or industrial establishment. According to Antonio Pedinelli technology transfer is not just transfer of hardware and software but it is a cultural phenomenon. He has made it clear that "a society's propensity to assimilate technological change depends in part on its capacity to adapt technology to its own specific conditions but primarily on its capacity to adapt itself to the needs of technology." It should be noted that there is lack of flexibility in the case of modern sophisticated technology with regard to the use of raw materials, to conditions and methods of production and to the product type which do not permit either modification or adjustments.

Then there is a section of 'Managers'

Concern in the Next Decade'. According to Sir Adrian Cadbury, managers in the coming decade will have to concern themselves with broadening frame of reference, revolving increasingly around conflicting demands, increasing influence of pressure groups, decentralising organisation and developing team work, and establishing better relations among various participating groups in industrial establishments. Tomorrow's managers will have to be managers of change.

By even the most rigorous standards, this is a remarkable book in which are packed on every page information and knowledge born out of long experience of some of the top management people in the world. The book should easily rank among the classics on management.

PRINCIPLES AND PRACTICE

It is observed that management literature has been proliferating during the last twenty years. But most of these books of foreign origin or based on them and are written in totally different socio-economic background. It needs to be emphasised that despite a substantial universal content of management, it is necessarily rooted in a locality with its typical culture, philosophy, values, tradition, laws, environment and human variables. Empiricism thus is of vital importance in writing a book on management. Shyamal Banerjee has made an attempt in *Principles and Practice of Management* to deal with management against the Indian background.

Management is "a mechanism by which a defined human group pursues a determined set of objectives through systematic group efforts for their implementation most effectively and economically." Thus management involves a horizon, an organisation, planning, leadership and direction, a network of communication, coordination, control and innovation.

Management is a multi-dimensional subject, involving economist, technocrat satistician, behavioural scientist, medical person, environmentalist and so on. Unfortunately each expert looks at management from his specialised and narrow perspective. What is expected of the top management head is the proper coordination of all the above aspects.

The author has rightly emphasised that management is the most important development input, and the major constraint in developing countries is inadequacy or lack of management ability and therefore consequent under-utilisation or even non-utilisation of natural and human resources.

Essence of Management

Essence of management is well expressed in the classical principles of good management by the American Management Association. These classical principles of management are : well-defined responsibilities; matching responsibility with authority; no change in authority without prior consultation, each to take orders only from one; no by-passing of levels in issuing executive orders; chastering of subordinates in private and not in the presence of his colleagues; attending to conflicts at all levels concerning authority and responsibility; and none to be critic of his own boss.

Communication is a basic element in any management system. It is communication that lands dynamism to an organisation. The author has enunciated the principles of communication. They are clarity, precision, brevity, timeliness, compass and integrity.

Possibly this is the first book on management which includes a separate chapter on 'Farm Management'. In India farm management occupies a special position. The author has made an attempt to examine to what extent the basic elements of management, namely, planning, decision-making, organising, staffing, directing and control can be applied to management of farms.

There is a basic dissimilarity between industry and agriculture where environmental variable, namely climate and rainfall effectively condition managerial parameters. This puts management process in farming on an altogether different footing. With all the variables on which a farmer has limited or no control, the author believes that management principles can also be applied to farms.

Management has always been the weakest and most neglected aspect of Indian culture. With all our vast natural and human resources, for thousands of years India could neither resist foreign aggressions nor deal successfully with mass poverty. What has always been lacking is organising power or management.

With modern sophisticated techniques and mass production of goods, management has become an independent factor of production as important as the other factors or possibly more important than those as Japan has effectively demonstrated.

It is a happy sign of the time that management training institutions are growing and so is number of entrepreneurs both in small-scale and large-scale industries. It is equally a happy augury that management literature is rapidly growing. Among the books on the subject, this one under review would certainly rank high and should serve as a text or reference book in management institutions.

MASS MEDIA

Mass media plays a vital role in democratic countries like India. *Mass Media in India 1979-80* is the second edition of rhe annual on mass media in the country. It provides basic data and information on various media, both in Government and non-Government sectors. This second edition contains some new chapters like 'Media and the Law of Contempt,' 'Libraries and Information Dissemination,' 'Periodical Journalism,' 'News Agencies', and 'Child and the Media.'

In this brief review, readers' attention can be drawn to only some significant aspects of different mass media in India.

M.A. Husini's article on 'Small Newspapers' is extremely illuminating. In India there are about 7,510 small newspapers (i.e. with circulation of 15,000 copies or below everyday). They are usually language papers issued from district towns. Generally district newspaper is a one-man show with small staff that is generally untrained and ill-paid. These papers subsist mainly on Government notices and cinema and other advertisements. But these small language newspapers occupy a strategic position in

Indian journalism, because nearly 80 per cent of the country's population lives in villages which cannot be adequately covered by big newspapers issued from metropolitan cities. With increasing rural literacy and gradually rising level of income of at least some sections of rural community and also because of the nature of news, these small language newspapers have a bright future, though Government must also come directly or indirectly to their assistance, at least for some time to come.

Some Progress

Writing on 'Periodical Journalism', P.N. Malhan has explained how 'journals,' 'reviews', 'magazines' and 'digest' etc. because of their racy style, short stories, pictorial features, travelogues, sport reviews, fun and frolics and some time investigative reports are becoming more popular, though their circulation is still mainly restricted to readership among relatively affluent and discriminating sections of readers. Language 'periodicals' have also in recent years recorded substantial progress and this is as it should be.

Writing about 'News Agencies', G G. Mirchandani has explained how as yet major part of world news is served by transnational western news agencies, how it has become difficult to break their hold on world news supply, and how it is essential for a democracy like India to have a news agency which is a source of objective, accurate and up-to-date news from and outside the country.

Radio is a very powerful media especially in India where vast mass of illiterate villagers cannot be reached by written words. It is however unfortunate that broadcasting is not yet handled by an autonomous body as recommended by Verghese Committee.

Television or TV which is the latest arrival in the sphere of mass media has already started playing useful role in India with its in school telecasts, farm telecasts, with talks on health, hygiene and nutrition, programmes for youth and children, with drama, music and dance, with sports coverage, and news and views on current affairs. There is no doubt that in future television with its visual impact will become a very effective mass medium displacing some of the traditionally important mass media like radio and newspapers.

C. Das Gupta has graphically described how cinema has developed into a powerful medium of communication in India, and how in recent times the film medium is being used not only to entertain people but also to educate them and influence their life-style. Considering the size of the country and its population, the cinema industry, according to the author, may be said to be still in its infancy.

On the question of 'Reaching Rural Areas', Madan Gopal has explained how communication, as an essential development input, has yet to reach rural India. He feels that in view of the vast illiteracy in rural India, there is need for spoken word. This means, films, field publicity, songs and drama and utilisation of fairs and festivals, especially by voluntary agencies like youth clubs, women's and children's associations can go a long way in moulding attitudes and lives of rural masses.

General Criticism

Newspapers, advertisements, films, television, books and journals have all been developing in India since independence into powerful media spreading news and views. But these different media are facing various problems. Whereas national newspapers are dominated by a small group or coterie, district newspapers in various languages are just subsisting. There is general criticism that Government has acquired powers to stifle or muffle voice of newspapers in a variety of ways. Radio and television being Government monopolies are often seen to serve as mouth-piece of Government. Publication of books and journals has become very costly and their prices prohibitive for common people. Libraries in India are poorly equipped and not properly maintained.

It is absolutely essential in a democracy like India that up-to-date, accurate and objective information reaches even people in the smallest of villages if they are to be really made alive and participative in the gigantic developmental tasks which are being undertaken by the country. There has to be proper coordination among various media. Under no circumstances should these media be allowed to become agencies and instruments of Government. Compared to the role played by these media in Western democracies, they appear to be still in infancy in India. It is high time that all interested parties including Government and opposition parties sit together and evolve and implement a viable policy in this vital sphere.

CENTRE-STATE FINANCE

Union-State Financial Relations in India contains papers presented at a seminar on "Union-State Financial Relations' by the Department of Economics of the University of Lucknow. Though the discussion mainly centred on recommendations to be made to the Seventh Finance Commission which was then busy with the problem, it is found that this study can be looked at as a critical and independent study of inter-Governmental fiscal relations in India.

It has long been acknowledged that the work of India's quinquennial Finance Commissions amounted to little more than the application of the 'financial gap-filling approach' of the British colonial days. And there is need of finding some sound and permanent basis for guiding the functioning of future Finance Commissions.

It has been made clear that our Constitution envisages India as a union of States. It is observed that quinquennial Finance Commission has been invariably facing the same problems repeatedly. It was also regretted that increasing restrictions are being imposed upon a constitutional body by administratively prescribed terms of reference. Unfortunately Finance Commission though a constitutionally appointed body, has not shown the courage "to chart out a course of action which might overstep boundaries of operations executively assigned to it."

It was felt and rightly that "the paramount principle of transference of resources can be none else than that of financial balance of the different units at comparable level and efficiency of State services." The seminar regretted that the Finance Commissions so far have unnecessarily neglected the task of giving development orientation to flows of funds even within the existing framework. It is rightly felt that Finance Commissions should take greater care of underdeveloped States by taking measures for rectification of inter-regional imbalances and the priorities and objectives the nation has set for itself in the larger economic framework.

It was felt that since there is need for devising "a more purposive, unified, integrated and equitable system of constitutionally sanctioned system of Centre-State financial relations", the Finance Commission could be transformed into a continuing body, thus resolving the issues of ad hocism in objectives, gaps in information base, need for monitoring and overseeing fiscal transference and arrangements.

Principle of Derivation

The seminar has also made some specific recommendations. As regards sharing of income-tax revenue, it is recommended that corporation tax should also be shared with States, since there is no fundamental conceptual difference between income-tax paid by individuals and the same levied on industrial corporations. Similarly, surcharge on income-tax has no conceptual distinction as distinction can be made between that and the basic rates of income-tax. It was also felt that 'principle of derivation' must go lock, stock and barrel as that principle promotes 'the myth of compensatory transfer'. It was rightly felt that the divisible pool of income-tax (and surcharge and corporation tax) should be distributed among States on the basis of degree of economic backwardness to be measured with reference to total population, number of people below the poverty line and per capita income below the national per capita income in the State.

The seminar recommended that greater share in Union excise duties be assigned to States and the basis of distribution should be the same as recommended in the case of distribution of income-tax.

The fiscal needs grants be explicitly aimed at raising the levels of specific services in States where these service levels are found to be lagging behind the average national level. Infrastructural requirements, primary and adult-education, housing and nutrition levels in backward States should receive due attention while distributing these grants. Another important recommendation is that "cost escalation caused by the price inflation calls forth the embodying in the Finance Commission's scheme of devolution of a price neutralisation device absence of which plays havoc with State budgets...".

One is inclined to agree with the dominant concern of the seminar that it should be the per capita income basis with weightage for backwardness for sharing by States *inter se* the divisible pool of revenues from income-tax, excise duties and other tax-sharing schemes as also grants-in-aid. It is possible that for historical reasons, it may not be immediately practicable to apply the equalisation principle in full. But there is no doubt that in a federal State like India, steps should be taken towards full acceptance and implementation of that principle. The seminar has rightly stressed that principle as the foundation of all resource transfers between the Union and States in future. At the same time the seminar has rightly emphasised that fiscal efficiency and efforts at resource mobilisation by States should also be taken into account as otherwise resource mobilisation by backward States would suffer. It is high time that future Finance Commissions completely free themselves from the gap-filling approach of the pre-independence days and make their recommendations development-oriented.

THE BONUS ISSUE

The bonus question is in the air for quite some time and still appears to be not only defying satisfactory solution but has become a bone of contention between employers and workers disturbing industrial relations and peace in the country. It was therefore in the fitness of things that a seminar, triparitie in nature, was held in March 1980 where-in representatives of employers and workers as also acadamicians participated with a view to thrash out various issues that have been raised by concept of bonus, methods of sharing it, views of employers and workers and various laws and court decisions regarding bonus and distribution. *Linking Bonus with Productivity* contains the papers presented at the seminar. It was rightly felt by the organisers of the seminar that the papers, case studies and discussions at the seminar should be widely shared by readers at large and hence the publication of the book.

Before the problem of bonus is satisfactorily resolved, it is necessary to understand the viewpoints of employers and employees in this regard.

No Clear Concept

At the seminar, representatives of employers made it clear that there is no clarity with regard to the concept of bonus, that they do not accept it as deferred wage or as part of need-based wage, that bonus should be payable only if an establishment makes profits, which means enterprises suffering losses should not be liable to pay bonus, that there should be no minimum bonus if profits do not justify it, that in inflationary situation, bonus, if and when paid, should be added to provident fund accounts of workers instead of being paid in cash, that bonus should be productivity-linked, that norms of industrial production should be fixed appropriately, that bonus should not be confined to only manufacturing industries but may be extended to also service sector industries, that since public sector enterprises are not meant for making profit, it may be desirable to determine bonus after performance appraisal in the form of cost reduction, management development and increased turnover, that there should be no salary limit for entitlement to bonus, and that employers, workers supervisors, managers, etc. should all be entitled to bonus.

Views of trade union organisations or bonus expressed at the seminar were exactly opposite in most respects. Trad unions and workers are of the opinio that bonus is something which has come to stay, that it is deferred wage, that while minimum bonus of 8.3 per cent is guaranteed by law, there is need to go beyond the minimum bonus, that the question of linking bonus to productivity should be considered only when the existing minimum bonus and rights to collective bargaining are recognised by employers and Government, that productivity-linked bonus should not be in lieu of existing bonus but should be over and above the existing payment, that it would be wrong to link bonus with productivity because productivity depends upon several factors and not only on the efficiency of workers, that while minimum rate of bonus should be maintained, ceiling on it should be waived and employees should be entitled to any rate of bonus mutually agreed upon between workers and management.

Common Grouad

After hearing the viewpoints of employers and workers, certain common points appeared to have emerged out of the discussions at the tripartite seminar. It is felt that bonus is essentially intended to 'represent a profit-sharing element', and the act of payment of minimum bonus need not give it the appearance of deferred wage. There is every reason to develop a profit-sharing or productivity-lined or performance-linked bonus scheme.

It was felt that introduction of producvity-linked bonus scheme in organisations such as Indian Airlines, the Railways, and the Posts and Telegraph Department is a step in the right direction. It was felt that once bonus is accepted as a share in profits, it should be paid to all without a wage or salary limit or without distinction of class of employees.

Serious attempt should be made to measure productivity of workers and fixing satisfactory norms so that bonus comes to be linked to productivity. Since productivity in any establishment is the result of several factors operating simultaneously, measurement of worker's productivity should be multi-factor approach which alone would give satisfactory and realistic picture of worker's productivity. •

There is no doubt that the question of payment of bonus has been kept hanging for long. This single factor has soured industrial relations in the country as possibly no other factor has. We Indians are good at analysing a problem put not so good in evolving a concrete and satisfactory policy and successfully implementing it. The bonus issue should be tackled with the concurrence of all the parties concerned and after seeing that interests of all which are sometimes conflicting are properly harmonised. This book has succeeded in making clear to general readers various issues concerning payment of bonus.

Books Received

Medicines for Masses : Madan Gaur; Press & P. R. Services, 15 Abubekar Mansion, Shahid Bhagat Singh Road, Colaba, Bombay-400039; Pp 233; Price Rs 150.

A Critique of the Finance Commission : G. Thimmaiah ; A. H. Wheeler & Co. Pvt. Ltd, 411, Surya Kiran, 19 Kasturba Gandhi Marg, New Delhi-110001; Pp 202; Price Rs 40.

The Social Framework of an Indian Factory: N.R. Sheth; Hindustan Publishing Corporation, 6-U.B., Jawahar Nagar, Delhi-110007; Pp 181; Price Rs 60.

Population Policy and Compulsions in Family Planning : Vasant P. Pethe; Continental Prakashan, Vijayanagar Colony, Poona-400030; Pp 188; Price Rs 45.

Profiles in Female Poverty : Leela Gulati; Hindustan Publishing Company, 6-U.B. Jawahar Nagar, Delhi-110007; Pp 179; Price Rs 55.

Administrators in Mixed Polity : Jayanta Kumar Ray ; Macmillan India Ltd, 4 Community Centre, Naraina Industrial Area, Phase I, New Delhi-110028; Pp 212: Price Rs 65.

Advances to Small Industries and Small Borrowers : Gopal Swaroop; Sultan Chand & Sons, 23 Daryaganj, New Delhi-110002; Pp 473; Price Rs 30.

Punjabi Kinship and Marriage : Paul Hershman; Hindustan Publishing Corporation; 6-U.B. Jawahar Nagar, Delhi-110007; Pp 277; Price Rs 95.

EASTERN ECONOMIST

Subscription Rates

Single Copy : Rs. 3/-

Annual : Inland Rs. 150/-

Foreign $ 50 £ 25

Regd. Office :

UCO Bank Building
P. Box No. 34,
Parliament Street,
New Delhi-110001

STATE OF THE ECONOMY

Growth of Small Enterprises

THE UNION Minister for Labour and Industry, Mr N.D. Tiwari stated recently that the promotion of small enterprises was based not on sentiments but on sound economic logic. They contribute a substantial share in terms of production, offer opportunities of employment, exports, a favourable capital output ratio, utilisation of abundant local and human resources and a fair and equitable distribution of wealth and incomes. Mr Tiwari was delivering the valedictory address at the meeting of senior officers of Small Industries Development Organisation (SIDO) here recently.

The Minister asked the officers to review project profiles in all the Small Industries Service Institutes to make them really feasible, whether costs were updated and whether these projects are suitable in respect or raw material, infrastructure, marketing etc. for the areas where you recommend them. These inputs have to be made available to the DICs who are primarily responsible to put them across to the potential entrepreneurs.

Mr Tiwari said, "We have to concentrate upon developing industries in the interior areas and give special consideration to the backward areas. A variety of incentives are available but results are not yet tangible. It is of course necessary that infrastructure should be developed for enabling the industries to come up but each one of you has to think about your role in promoting the development of entrepreneurship and different industries suitable for different areas."

Mr Tiwari further stated that the Government had launched a conscious programme for the development and promotion of small industries with the First Five-Year Plan. A large infrastructure both at the Centre and States has been established. Credit on liberal and in some areas on concessional terms is available. Nonetheless, it cannot be denied that achievements have fallen short of expectations, Mr Tiwari added. Referring to ancilary industries, Mr Tiwari said that inter-departmental teams have been set up to identify items which could be taken up by ancillary units; plant level committees have been asked to work out details of ancillary development programmes and 25 broad group of industries have also been identified for intensive development.

More Hotels for Tourists

The India Tourism Development Corporation (ITDC) has drawn up a scheme for taking up joint venture tourism projects by forming a new company in each State with nearly equal equity participation. The hotel projects to be set up under the scheme will be planned, designed, managed and marketed by ITDC on suitable commercial terms to be mutually agreed upon. This information was given by Mr A.P. Sharma, Minister of Tourism and Civil Aviation, in Lok Sabha recently. The Minister further said that the India Tourism Development Corporation has executed collaboration agreement with Andhra Pradesh Travel and Tourism Development Corporation for a 50-room hotel project at Hyderabad. The details with regard to the cost of the project, feasibility study, etc. are being worked out. A lumpsum provision of Rs 29 lakhs exists in the Annual Plan 1981-82 of ITDC for joint venture projects including the one at Hyderabad. The implementation of the project is however, subject to satisfactory feasibility study and availability of resources.

Trade Deficit Declines

Trade deficit during 1981-82 may be lower than that of the previous year, Mr Pranab Kumar Mukherjee, Minister for Commerce told the Lok Sabha recently. India's foreign trade deficit during the first-half of the current year amounted to Rs 2,280 crore against Rs 3,035 crore in the corresponding period of the previous year.

The Minister said with the step-up in exports and the increased domestic production of essential items of imports like fertilisers, steel, cement and non-ferrous metals the trade deficit was bound to be less.

He denied that the country was resorting to indiscriminate imports, instead imports were being tightened. He pointed out that the Government had already taken several items out of OGL and placed them either under restricted or banned lists. Imports depended on the availability-demand position in the domestic market. Government was aware of the growing protectionism in the industrialised countries and is exploring the possibility of diversifying the export markets to counter protectionism, he said.

CAPEXIL Award for Hindustan Lever

The Hindustan Lever Limited has bagged the 1980-81 special export award of the Chemical and Allied Products Export Promotion Council (CAPEXL) for its performance in the export of ossein and di-calcium phosphate.

The company has won the CAPEXIL honour for the fourth time in succession for increasing the exports in terms of quantity and for obtaining a higher per unit price and for discovering new markets.

Hindustan Lever has exported 2495 tonnes of ossein and 2726 tonnes of di-calcium phosphates in 1980-81 earning Rs 3.72 crore in foreign exchange, as against Rs 2,36 crore in 1979-80 when it had exported 2,000 tonnes of ossein and 2400 tonnes of di-calcium phosphates.

Ossein and di-calcium phosphate, manufactured from animal bones at the company's modern plant at Taloja, Maharashtra, are intermediates for the manufacture of gelatine and animal feeds respectively. Ossein is exported to Kodak in the US, Orwo GDR and other gelatine manufacturers in the UK and Japan. Di-calcium phosphate is exported mainly to the Far East and the Middle East.

Madras Fertilizers' Expansion Plan

The Madras Fertilizers Limited, has proposed setting up of additional ammonia and urea plants to double their existing capacity of 750 tonnes of ammonia and 885 tonnes of urea per day. The MFL proposal is based on the availability of naphtha from the Madras Refineries Ltd which is being expanded from 2.8 million tonnes per year to 5.6 million tonnes per year.

The MFL, who achieved the best ever production in 1980-81, have declared a 35 per cent dividend for the last financial year. The company Managing Director, Mr Joseph Kurian, recently handed over to the Minister for Petroleum, Chemicals and Fertilisers, Mr P. C. Sethi, a cheque of Rs 2,43,59,650 being the dividend for the year 1980-81. The Madras Fertilizers Ltd, which went into commercial production in November 1971, has been consistently making profits since 1973-74 and has been declaring dividend to its shareholders since 1975-76. The company has been providing technical services to the State Fertiliser Manufacturing Corporation (SFMC) of Sri Lanka under a management contract and since September this year have been independently running the plant after the general contractors, M/s Kellog Overseas Corporation personnel left the project on completion of the performance guarantee tests.

Exchane Reserves

India's foreign exchange reserves stood to Rs 3763 crore at the end of August this year as against the provisional import bill of Rs 12,329 crore in 1980-81. This would approximately be sufficient to meet three and a half months imports at 1980-81 level, Mr R. Venkataraman, Finance Minister, told the Lok Sabha recently.

Irrigation Projects for Maharashtra

Six irrigation projects of Maharashtra have been approved by the Planning Commission at an estimated total cost of Rs 30.26 crores. The schemes are: Madan tank project, Anjani river project, Torna river project, Mun river project, Buti Nalla project, and Pohar Nalla project. The Madan tank medium irrigation project envisages construction of storage reservoir across Madan Nalla and a pick-up weir-cum-storage on the same Nalla downstream. The Madan Nalla is a small tributary of Dham river, a left bank tributary of Wardha river in the Godavari basin. The project will provide annual irrigation to 3280 hectares in Wardha district.

The Anjani river project envisages construction of a storage reservoir across Anjani river—near village Palasdara, taluka Brandol, district Jalgaon—a tributary of Girna river in Tapi basin. This project will provide annual irrigation to an area of 3669 hectares. Under the Torna river project, a storage reservoir will be constructed across Torna river, a tributary of Mun river—near village Dhadam in Buldana district. The project will irrigate annually an area of 1849 hectares.

The Mun river project envisages construction of a storage reservoir across Mun river, a tributary of Purna river in Tapi basin, near village Dhadam in Buldana district. This project will irrigate annually an area of 9088 hectares. The Buti Nalla project envisages construction of a storage reservoir across Buti Nalla, a tributary of Wainganga river in Godavari basin. The project, located near village Panoli in Chandrapur district, wili irrigate an area of 11,060 hectares annually. The Pohar Nalla project envisages construction of a storage reservoir across Tohar Nalla, a tributary of Wainganga. The project is planned to irrigate annually an area of 10,205 hectares.

Radio Paging Service

Mr Vijay N. Patil, Union Deputy Minister for Communications formally inaugurated recently the Radio Paging System for the first time in the country at Telephone Bhavan in Pune by receiving the first paging call. Radio paging service will enable telephone subscribers to be in touch with their offices or establishments with the help of a pocket receiver. The system will be on trial for a few months.

Radio paging system comprises of a small sensitive high frequency radio receiver which can be clipped into a pocket. Each receiver has an individual calling code. The paging receiver is like a telephone line with a pocket bell. Subscribers to the paging system get their paging calls routed by a paging operator in the city telephone exchange. The paging receiver produces a sharp continuous beep tone when called by the paging operators at the exchange. The receiver is powered by a rechargable, self-contained battery.

The paging receiver has an "ON/OFF" switch and a non-locking "RESET" push button. When the instrument is switched on, it causes a sharp continuous beep tone emitting from it. The subscriber then presses the reset button to silence the tone, enabling the instrument to receive paging calls. The instrument needs to be switched on whenever the subscriber expects to be called

States' Overdrafts

The total overdrafts of the States at the end of 1980-81 stood of Rs 535.90 crore, but it increased to Rs 781.69 crore as on October 31, 1981, Mr S. Sisodia, Minister of State for Finance told the Lok Sabha. The State-wise overdraft position as on October 31 is as follows : Assam Rs 38.65 crore, Gujarat Rs 35.59 crore, Haryana Rs 37 crore, Himachal Rs 4.32 crore, Karnataka Rs 16.42 crore, Kerala Rs 40.84 crore, MP 78.05 crore, Maharashtra Rs 54.32 crore, Manipur Rs 12.55 crore, Orissa Rs 2.24 crore, Punjab Rs 112.63 crore, Rajasthan Rs 182 crore, Tripura Rs 204 crore, West Bengal Rs 164.26 crore.

Carbon Steel Sheets

The Government has canalised import of carbon steel sheets in deep drawing and extra deep drawing qualities withdrawing from the Open General Licence (OGL import) facility. The canalising agency will be Steel Authority of India Limited (SAIL). The change

The Delhi Cloth & General Mills Co. Ltd.

NOTICE

It is hereby notified for information of the public that The Delhi Cloth & General Mills Co Ltd. proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi under Sub-section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act, 1969 for the establishment of a new manufacturing activity for the production, supply, distribution or control of portland cement with an installed capacity of 10.40 lakh T.P.A. and estimated turn-over of Rs. 35.00 crores. Other particulars of the proposed undertaking are as under:

1.	Name of the proposed undertaking.	— The proposed manufacturing activity will be undertaken by The Delhi Cloth & General Mills Co. Ltd.
	Names of persons or authority/authorities proposing to establish the new undertaking. Where it is a body Corporate, furnish details of its management structure together with those of the proposed undertaking.	The Delhi Cloth & General Mills Co. Ltd. will be the Proprietors of the proposed manufacturing activity and is managed by its Managing Directors.
	Capital structure of the applicant/person or authority and of the proposed undertaking.	— The capital structure of The Delhi Cloth & General Mills Co. Ltd. as on 31st October, 1981: Authorised issued, Subscribed —Rs. 50,00,00,000 Preference —Rs. 1,67,50,000 Equity —Rs. 19,67,32,363 Total —Rs. 21,34,82,363
	Proposed location of the new undertaking.	— Tehsil —Rewa Distt. —Rewa State —Madhya Pradesh
5.	Brief outline of the cost of project, the scheme and source of finance.	The estimated cost of the project will be about Rs. 80 00 crores which is proposed to be financed partly by Company's own resources, partly by issuing shares, and partly by borrowings from Financial Institutions and banks.

Any person interested in the matter may make a representation to the Secretary, Department of Company Affairs, Government of India, Shastri Bhawan, New Delhi within 14 days from the date of publication of this notice, intimating his views on the proposal and indicating the nature of his interest therein.

Regd. Office: Bara Hindu Rao, Delhi-110006

Date: This day of 26th November, 1981

Sd/-
S. Ratnam
EXECUTIVE DIRECTOR

will not, however, affect import of the materials in respect of which shipments have already taken place before the date of issue of the public notice. Ministry of Commerce has already issued a public notice. This change in policy is intended to curb undesirable imports and at the same time to ensure that the requirements of genuine users of this special quality material are fully met through imports by the canalising agency.

Since October 1979, import of carbon steel sheets in deep drawing and extra deep drawing qualities has been allowed under Open General Licence. This was so because these sheets are not produced in the country. The decision to canalise import of carbon sheets has been taken because it came to the notice of the Government that some quantities of this material were being imported for speculative purposes or as a substitute for the materials available within the country.

Gold Reserves

The total quantity of gold reserves in the country stood at 267.29 tonnes (worth Rs 225.6 crore) in September this year against 216.24 tonnes (Rs 182.5 crore) in September 1971, Mr S.S. Sisodia, Minister of State for Finance, informed Lok Sabha.

Equitable Distribution of Molasses

The Minister for Petroleum, Chemicals and Fertilisers, Mr P.C. Sethi, indicated recently that the Union Government may be forced to opt for more effective alternatives if the present arrangements for inter-State distribution of molasses and alcohol did not function satisfactorily. The Minister, who is also Chairman of the Central Molasses Board, said that the industrial base created through national endeavour could not be sustained, let alone urther expanded, if adequate availability of raw materials at reasonable prices was not ensured.

The Central Molasses Board, a high-level apex body on which the States, concerned Central organisations and the sugar, distillery and chemical industries were represented, must, therefore, help the Central Government discharge its responsibility of ensuring equitable distribution of molasses and alcohol, which were as vital national resources as petroleum, iron, steel and coal. Mr Sethi said alcohol was the basic feed-stock for a large segment of Indian chemical industries who produced a wide variety of organic chemicals including life saving drugs, vital agricultural inputs like pesticides and also synthetic fibres and plastics. The growth of these industries was conditional to our ability to make adequate quantities of alcohol available to them irrespective of where they were located.

Collaboration with Bangladesh

Mr Narayan Datt Tiwari, Union Minister for Industry and Labour, assured the Bangladesh delegation that he would try to impress upon the Indian industrial community to explore possibilities of setting up industrial ventures in Bangladesh. A delegation from the Metropolitan Chamber of Commerce and Industry, Dacca, led by Mr Morshed Khan, called on the Minister recently. The delegation was all praise for the Indian achievements in the fields of industry and technology. They repeatedly made references to the India International Trade Fair which they had visited. They said that they were not aware of the availability of such immense wealth of industrial potential and technology next door to their own county. However, they felt that there was some communication gap between the two countries inasmuch as the Indian business community was not present in Bangladesh in a big way.

The delegation also urged upon Mr Tiwari that the political leadership should see to it that there was greater participation and cooperation between the business community of both the countries. They requested the Minister to impress upon the Indian business community to go in for industrial cooperation with Bangladesh. Mr Tiwari assured them that all possible help and reiterated that India was interested in a strong and prosperous Bangladesh.

Cooperation with Developing Countries

Mr Abid Hussain, Commerce Secretary, stressed recently that India stood for a just economic order in the world, and to achieve the same would like to develop its economic and trade relations both with the developed and developing countries. He was delivering a key-note address at a Seminar on 'India's Trade and Economic Cooperation with Developing Countries' organised by the Indian Institute of Foreign Trade, in collaboration with the Trade Fair Authority of India, to coincide with IITF 81. The Seminar was inaugurated by Mr Mohd Yunus, Chairman, Trade Fair Authority of India and attended by representatives from different countries participating in the fair.

Mr Hussain said that each country's economic policies get affected by its political and social environments, and underlined the developing process so achieved in this country where since Independence an all round growth had been witnessed in the field of agriculture and industry. He also referred to adverse economic environments in the world as far as the developing countries were concerned, emanating in the form of increasing protectionism and uneven tariff policies being persued by the developed countries.

Loan Agreements with Canada

Three loan agreements for a total amount of C$125 million (approximately Rs 96.2 crores) were signed here recently by Mr R.N. Malhotra, Secretary (Economic Affairs) on behalf of the Government of India and Mr Marcel Masse, President, Canadian International Developing Agency on behalf of the Government of Canada. The first agreement is for a loan of C$ 50 million (Rs 38.5 crores) for the Agricultural Refinance and Development Corporation for agricultural refinance activities, which include minor irrigation, animal husbandry, forestry programmes, fisheries, development of market yards etc. The emphasis would, however. be given to small farmers who would receive, as far as possible, 60 per cent of the project funds. During the last three years, Canada had extended similar assistance to ARDC.

The second agreement is for a line of credit of C$ 45 million (Rs 34.6 crores) for the purchase of materials, equipment, machinery and services related to oil and gas exploration and development. This line of credit is in continuation of an earlier line of credit for C$ 15 million extended in 1980. The third agreement is for a line of credit of C$ 30 million. (Rs 23.1 crores) for financing the purchase of materials, equipment machinery and services related to the power sector. The above loans are free of interest and service charges and are repayable over a period of 50 years, inclusive of a grace period of 10 years. With the signing of these agreements, the total amount of aid authorised so far by Canada during 1981-82 would be C$ 145 million (approximately Rs 111.6 crores)

Indo-Uganda Tieups

India and Uganda signed four agreements and a memorandum of understanding covering cooperation in trade, exploration and exploitation of crude, setting up of industries and development of agriculture.

The two countries will set up join committees to promote trade and cultural exchanges. The committees will ensure effective implementation of the provisions of the agreement.

The agreements were signed at Rashtrapati Bhavan in the presence of Prime Minister Mrs Indira Gandhi, and visiting President of Uganda, Dr Milton Obote.

Uganda has sought assistance and expertise in industry and agriculture. Several export items from India to Uganda have been identified.

The five-year economic and technical cooperation agreement covers joint ventures to assist Uganda in the exploration and exploitation of crude oil, natural gas and other mineral resources and in the establishment of industries.

The agreement, which provides for economic, scientific and technical cooperation also covers joint ventures and development of infrastructure industries like communications and transport. Other areas are tourism, trade, agriculture and fisheries.

Training of personnel, grant of scholarships and deputation of experts in economic, scientific and technical fields, including supply of equipment have also been provided for in the agreement. India will provide advance training to Uganda experts, scientists and administrators.

Cooperation will also be extended to scientific research, particularly in medicine. Both countries will explore possibilities of operating air services between them. They agreed to accord to each other the most-favoured nation treatment in trade under a two-year agreement.

The joint committee will meet on mutually convenient dates alternatively in the capitals of the two countries. Trade fairs and exhibitions in each others countries will also be organised.

Indo-French Technology Symposium

The French Foreign Trade Centre, and the Association of Indian Engineering Industry (AIEI), with the collaboration of the Directorate General of Technical Development and the Indo-French Chamber of Commerce and Industry, are organising an Indo-French Advanced Technology Symposium from 7th to 12th December 1981.

The objective of this Symposium is to share with the Indian industry technological and industrial advancements achieved by French industry as well as to stimulate the process of technology transfer.

About 100 experts from reputed French companies and Government organisations will deliver lectures on various issues in New Delhi, Bombay, Bangalore and Calcutta. These lectures and film shows will be followed by question-answer sessions and the representatives of the Indian industry will also be able to have informal consultations with the experts from France in their specific fields of interest.

Indian government organisations such as the Indian Investment Centre, the Council of Scientific and Industrial Research as well as the Department of Science of Technology have agreed to patricipate in the Symposium.

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COMPANY AFFAIRS

NELCO

National Radio and Electronics (NELCO) has reported poor working results for the 15 months ended June 1981 with a trading loss of Rs 55.02 lakhs as against a gross profit of Rs 3.29 lakhs in the previous 12 months despite a higher total income of Rs 11.90 crores against Rs 11.07 crores.

After providing Rs 14.11 lakhs (Rs 7.14 lakhs) for depreciation and after making some adjustments, there is a loss of Rs 64.33 lakhs. Together with the loss brought forward from the previous year, the accumulated deficit has gone up to Rs 1.64 crores.

Modern Nets to Enter Capital Market

Modern Nets Limited, a successful venture of the House of Garwares, will enter the capital market on December 21, 1981 with a public issue of 8,03,600 equity shares of Rs 10 each for cash at par of an aggregate value of Rs 80,36,000. The company proposes to change its name to 'Garware Marine Industries Limited' very soon.

The company is presently engaged in the manufacture of fish net fabrics at its factory at Ahmednagar and started commercial production in January, 1978. Within a short period of three years, the company has established itself as one of the leading manufacturers of fishnet fabrics in India. The company has also declared a dividend of 12 per cent on the equity shares in the very first year of its operations and this rate of dividend has since then been maintained. The company has also issued bonus shares to its existing shareholders in the ratio of 1:1 by capitalising Rs 32 lakhs from the reserves. The reserves and surplus of the company as on May 31, 1981 amounted to Rs 87.20 lakhs as against the paid-up equity capital of Rs 64 lakhs.

Premier Plant

The company has the most modern and up-to-date plant - the first of its kind in the country--for processing and making nylon twine and for manufacture of fishnet fabrics at Ahmednagar, Maharashtra. The company has recently expanded its capacity for the manufacture of fishnet fabrics by installing two additional machines. The company has now embarked on a diversification programme by taking up the manufacture of expanded PVC floats for use in fishing operations with an annual capacity of 240 tonnes. Complementary to the use of fishnets, these floats will be used to protect the nets from sinking and to maintain proper buoyancy in the water.

The company has entered into a foreign collaboration with M/s. Bakelittfabrikken A/S (BFAS), Norway, one of the world renowned manufacturers of PVC floats. In terms of the collaboration agreement BFAS have already supplied necessary plant & equipment, know-how required for the manufacture of PVC floats and have also deputed their technicians for supervision of erection and start up of the plant, which is in the advanced stage of completion. In consideration of the supply of technical know-how and other assistance, the company has agreed to pay, subject to Indian taxes, a lumpsum of N.Kr. 1,200,000 (about Rs 19.5 lakhs) to BFAS in four instalments and two instalments amounting to N.Kr. 800,000 have already been remitted and a letter of credit has been opened for the balance amount. In addition, the company will pay to BFAS a royalty of two per cent of the net ex-factory sale price of PVC floats, for a period of five years from the commencement of commercial production. The company has also undertaken to export 20 per cent of its annual production of expanded PVC floats for a period of five years. The company does not envisage any difficulty in fulfilling this obligation.

Furthermore, the company is also setting up a plant for the manufacture of nylon monofilament, one of the raw materials required for making fishnet fabrics, with an annual capacity of 170 tonnes. Both the above projects are coming up at Aurangabad, a notified backward area in Maharashtra, where a package of tax benefits, subsidies and incentives will be available to the company. The total cost of expansion/diversification programme undertaken by the company has been estimated at Rs 320 lakhs.

Dempo Steamship Maintains Dividend

Dempo Steamship is keeping dividend unchanged at 20 per cent for the year ended June 1981.

According to preliminary figures, the company has earned a gross profit of Rs 6.80 crores against Rs 6.73 crores in the previous year. After depreciation of Rs 3.16 crores (Rs 2.20 crore) and investment allowance reserve of Rs 0.51 lakhs (Rs 2.98 crore), the net profit is Rs 3.64 crores compared to the previous year's Rs 1.55 crores.

Out of this, Rs 62.50 lakhs (nil) has been transferred to development rebate reserve for the past year. The dividend will absorb Rs 40 lakhs (same). Rs 2.60 crores has been allocated to the general reserve which had received Rs 1.15 crores previously.

Chloride India

Chloride India Limited has reported growth in sales from Rs 5,269 takhs to Rs 5914 lakhs during the financial year ended August 31, 1981. Profit before tax at Rs 848 lakhs showed a significant improvement over the previous year due to better product mix, favourable fluctuation in raw material prices, substitution of special types of high cost imported separators by own production, implementation of a sustained programme of value engineering and lower interest charges. Profit after tax at Rs 348 lakhs reflected the beneficial impact of tax allowances arising from the start up of 100 per cent export factory at Haldia.

After providing Rs 500 lakhs for taxation and transferring Rs 40 lakhs to investment allowance reserve, and taking into account the transfer of Rs 5.98 lakhs from development rebate reserve, a total sum of Rs 314.08 lakhs was available for appropriation. The company had declared an interim dividend of Rs 34.54 lakhs (8 per cent less tax) in June, 1981. The Directors have now recommended payment of final dividend of Rs 1.60 per share, i.e., 16 per cent (less tax) which will absorb Rs 129.09 lakhs. The balance of Rs 120.44 lakhs is proposed to be transferred to general reserve. The final dividend, if approved by the shareholders at the thirtyfifth annual general meeting to be held on January 28, 1982, will be paid to those shareholders whose names appear in the register of members on January 16, 1982. The register of members shall remain closed from January 8 to January 18, 1982, both days inclusive.

Punjab Tractors

Punjab Tractors has announced a final dividend of nine per cent, making a total of 16 per cent for the year ended June 30, 1981, as against 15 per cent paid for the previous year. The enhanced distribution is on the capital as enlarged by the issue of bonus shares on a two-for-five basis.

The company has reported gross profit of Rs 4.06 crores against 2.96 crores in the previous year following expansion of sales from Rs 34.55 crores to Rs 49.33 crores. With depreciation requiring Rs 1.25 crores (Rs 0.91 crores and taxation Rs 0.60 crores (Rs 0.02 crores), the profit after tax is Rs 2.19 crores compared to the previous year's Rs 1.80 crores.

As at the end of 1980-81, the company had reserves and surplus of Rs 5.48 crores against the equity capital of Rs 1.54 crores.

During the year, the company has produced 9,130 tractors against the installed capacity of 10,000 per annum. The company has decided to double the tractor capacity in the next three years to meet the growing demand. Industrial licence has already been obtained for this purpose.

The capital expenditure of this expansion programme is estimated at around Rs 11.5 crores. The management has planned to spend Rs 5 crores this year. The cost of the programme is intended to be met mainly through internal generation. The company is also exploring possibilities of diversifying its activities.

During the current financial year so far, the company has sold 4.061 tractors as against 3,402 in the corresponding period of the previous year. The turnover has been Rs 23.65 crores against Rs 17.2 crores. The current year's production target is 12,000 tractors.

Southern Powersystem

The Madras based Southern Powersystem Company has signed a three-year agreement with UK's largest independent generating set manufacturer, Dale Electric of Great Britain Ltd. Southern Powersystem will market the larger 1 MW plus slow speed, high voltage generating sets of Dale, powered by leading world engines including Ruston, Deutz and Mirrles Blackstone. The formal agreement signed in Madras follows a one-year informal relationship between the two companies.

According to Mr V. Ramabhadran, a Director of Southern Power system, Dale are the only European generating set manufacturer who can test directly at high voltage and offer a choice of diesel engine or gas turbines primemover. Dale had opened a purpose-built factory for the larger, high voltage generator in the UK and Mr • Ramabhadran felt that Indian engineers would welcome the discussion of applicational advantages of different engines with one impartial manufacturer.

Tata Chemicals

Tata Chemicals Ltd, which has revived its interest in the area of fertilisers, is prepared to go in for a large gas-based nitrogenous fertiliser complex in UP and a phosphatic fertiliser complex in Saurashtra.

DEPARTMENT OF ATOMIC ENERGY

Directorate of Purchase and Stores

On behalf of the President of India, the Director, Directorate of Purchase and Stores, Department of Atomic Energy, Bombay 400 001, invites tenders as detailed below :—

1. DPS : RRC : IEE : 1050 due on 2.1 82. High performance hot wire thermal conductivity detector with solid state DC power supply for use with the TCD specified and spare filaments as per purchaser's specification 2 Nos.

2. DPS : MHD : IEE : 129 due on 2.1 82. Automatic Recording High Temperature Dilatometer to perform wide variety of analyses, pertaining to demensional changes with temperature under a constant load as per purchaser's specification. 1 No.

3. DPS : NAPP : PPED : ENG : 273 due on 6.1.82. Rubber Expansion Joints as per tender specification Qty. 97 Nos.

4. DPS : BARC : ENG : 15044 due on 7 1.82 Mild steel glasslined annular heating vessal, as per drawing and tender specification. Qty. 2 Nos.

5. DPS : NFC : FUR : 101 due on 11 1.82. Locker Cupboards for change rooms (8, 12 & 18 lockers) with built in locks. Details as per tender specification.

6. DPS : HWP : CAP : 621 due on 11.1.82. Pump set with motor starter for raw water supply of 2250 ltrs/minute against a total head of 40 metres as per purchaser's specification 2 Nos

7. DPS : VEC : IEE : 278 due on 12.1.82. A Helium Liquefier/Refrigerator with purification and recovery system as per purchaser's specification. 1 No.

8. DPS : TAPS : FUR : 501 due on 12-1.82 Fabrication, erection, painting and supply of steel storage racks at Tarapur as per our drawing No. TAPS/SK-C-707 & TAPS/SK-C-708.

9. DPS : MHD : IEE : 132 due on 12.1.82 Fast BET Surface Area Analyser with null picnometer as purchaser's specification. 1 NO

10. DPS : NFC : CHEM : 333 due on 12.1.82. Caustic Soda Flakes Rayon Grade as per tender specification. 750 M.T.

11. DPS : NAPP : PPED : MLT : 142 due on 13.1.82. Design, manufacture, supply, testing, delivery and guarantee of seamless copper tubes in different sizes as per tender specification. Qty. 33.650 M.T.

12. DPS : PPED : FUR : 250 due on 13.1.82. Universal Drafting Machine fitted with pentograph on one piece continuous PVC lined drawing board size—100 cms × 150 cms (conforming to IS 2287) and Draughtsman revolving thair adjustable height 445 mm (min) to 635 mm (max.) with sear & back rest padded with foam leather suitable for drafting machine. 6 Nos. each.

13. DPS : PPED : LAB : 198 due on 13.1.82. Molecular sieve as per purchaser's tender specification. 1000 Kgs

14. DPS : NFC : EEQ : 184 due on 18.1.82. Motor Generator Welding Set conforming to IS 2635-1975 and as per purchaser's tender specifications for Nuclear Fuel Complex at Hyderabad.

15. DPS : MHD : ELE : 115 due on 14.1.82. HR-PVC Insulated Multicore, Flexible Control Cable as per purchaser's tender specification. Qty. 60 KMS

16. DPS : BARC : PDS : EEQ : 28 due on 14.1.82. 20 KW DC Motor as per purchaser's specifications for Bhabha Atomic Research Centre at Trombay, Bombay-400 085.

17. DPS : BARC : ELE : 16449 due on 15.1.82. Multicore thermocouple compensating cable as per purchaser's tender specifications. Qty. 1000 Mtrs.

18. DPS : TAPS : FAB : 47 due on 15.1 82. Fabrication and supply of Anion Tank T-18 for regeneration facility as per purchaser's tender document. Qty. One.

19. DPS : NAPP : PPED : PPF : 348 due on 16 1.82. Supply of Stainless Steel Gate Valves in different sizes as per purchaser's tender specification. Qty. 58 Nos.

20. DPS : BARC : EEQ : 5154 due on 18.1.82. Supply of centrifugal type blower made out of suitable thickness of FRP and as per purchaser's specifications for Bhabha Atomic Research Centre at Trombay, Bombay 400 085.

21. DPS : BARC : MTL : 5675 due on 18.1.82. Supply of Inconel 600 Plates, Pipe, Rod and Filter Wire as per tender specifications.

22. DPS : BARC : IEE 3890 due on 19.1.82. Double sided single/double density floppy disk drive as per purchaser's specification. 2 Nos.

Tender documents priced Rs 10 each for items 1, 2, 12, 14, 16, 20 and 22; Rs 20 for item 13; Rs 25 each for items 4, 5, 6, 17, 18 and 21; Rs 35 each for item 8 and 9; Rs 75 each for items 3 & 7; Rs 100 each for items 10, 11, 15 and 19 and General conditions of contracts priced 50 P. to all items except item 18 can be had from the *Finance and Accounts Officer, Department of Atomic Energy, Directorate of Purchase and Stores, 3rd Floor, Mohatta Building, Palton Road, Bombay 400 001*, between 10 a.m. to 1 p.m. on all working days except on Saturdays Import Licence will be provided only if the items are not available indigenously to all items except items 5, 8, 12 to 18 and 20. Tenders will be received up to 3 p.m. on the due date shown above and will be opened at 4 p.m. on the same day. The right is reserved to accept or reject lowest or any tenders in part or full without assigning any reasons.

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The company has registered its "positive interest" in these projects.

The Chairman, Mr J.R.D. Tata told shareholders in a statement that Tata Chemicals has formed a small 100 per cent wholly-owned company under the name of "Tata Fertilisers Ltd", which will, in due course, be spun off as a separate corporate entity in the event of these fertiliser projects materialising.

He says the Indian soda ash industry cannot cope with the situation brought about by dumping of foreign soda ash into the country, particularly when there is a sharp escalation in input costs.

The company has made several representations to the Government urging that, while safeguarding the legitimate interests of genuine consumers, it must take effective urgent steps to curb the present totally unjustified imports which, apart from a large expenditure of foreign exchange which the country can ill-afford, and loss of revenue to the exchequer, cause grievous damage to an indigenous industry of vital importance to the national economy. Effective Government action in this behalf is now long overdue, Mr Tata says.

The shipping division of the company has turned the corner. It has earned a pre-tax profit of Rs 21 lakhs in 1980-81 against a loss of Rs 37 lakhs in the previous year. The company continues to maintain a positive interest in the expansion and diversification of the shipping division.

The company has decided to raise long-term finance by a rights-cum-public issue of redeemable debentures of an aggregate amount of Rs 3.50 crores.

Electrical Manufacturing

The pre-tax profit of Electrical Manufacturing Co Ltd, has amounted to Rs 47.60 lakhs for the year ended May, 1981 against Rs 31.94 lakhs in the previous year, after providing Rs 6.34 lakhs (Rs 7.94 lakhs) for depreciation. Providing Rs 25 lakhs (Rs 16 lakhs) for taxation for the year and Rs 7 lakhs (Rs 5.50 lakhs) for taxation for previous years, the net profit is Rs 15.60 lakhs (Rs 10.44 lakhs).

A sum of Rs 1.50 lakhs (Rs 2.22 lakhs) for development rebate reserve has been taken into account. Allocations include Rs 89,520 (Rs 3.56 lakhs) for investment allowance reserve and Rs 6.02 lakhs (Rs 2.28 lakhs) for general reserve. A taxable ordinary dividend of 12 per cent (8 per cent) has been declared, absorbing Rs 10.18 lakhs (Rs 6.82 lakhs). Sales rose from Rs 11.95 crores to Rs 16.90 crores.

New Standard Engg.

The order book of New Standard Engineering is the highest ever, with orders on hand worth Rs 35 crores according to Chairman, Mr J.V. Patel.

The working of the company so far in the current year shows higher turnover of Rs 774 lakhs compared to Rs 700 lakhs in the corresponding period of the previous year. The company expects a higher annual turn-over and profit for the year 1981-82. For the second year in succession, the company does not expect any tax liability. This is so in view of the investment being made in plant and machinery for the company's modernisation and diversification programme

Premier Mills

The Chairman of Premier Mills, Mr V.N. Ramachandran has said that the first phase of the expansion at the "C" unit consisting of 30 looms and 25,000 spindles in complete. The company has added 12 more auto looms since June 30 1981, bringing the total to 180 auto looms. The acquisition of 25,000 spindles in "C" unit has also been completed.

During 1980-81, the company has added about Rs 12.28 crores worth of capital assets and installed a processing unit at Bagalur.

The company has started manufacturing polyester and other man-made fibre shirtings, suitings, sarees and dress materials. A substantial increase in the production and the sale of cloth is expected from December, 1981.

Referring to financial aspect, he said that the company had raised an additional share capital of Rs 50 lakh by issue of 50,000 rights shares at par during August, 1981 to augment the working capital requirements. After this enhancement, the share capital will stand at Rs 175 lakhs. The company is also contemplating an issue of convertible debentures to finance future expansion projects. The company is poised to take further progress to enlarge its turnover and profitability, according to Mr Ramachandran.

Standard Batteries

Standard Batteries has reported improved working results for the year ended June 30,

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1981. A higher equity dividend of 12 per cent has been proposed against 10 per cent paid for the previous year.

Sales have risen from Rs 17.57 crores to Rs 21.19 crores and the gross profit from Rs 72.54 lakhs to Rs 90.93 lakhs. After providing Rs 18.44 lakhs (Rs 17.80 laks) for depreciation, Rs 2.80 lakhs (Rs 1.30 lakh) for investment allowance and Rs 47 lakhs (Rs 27.25 lakhs) for taxation ard after some adjustments, the disposable surplus is Rs 60.32 lakhs against Rs 63.73 lakhs.

Dividends will absorb Rs 12.30 lakhs (Rs 10.25 lakhs). A sum of Rs 47 lakhs (Rs 46.77 lakhs) has been transferred to general reserves.

Exports amounted to Rs 3.32 crores againt Rs 1.72 crores in the previous year.

Fomento Resorts in Capital Market

Fomento Resorts and Hotels Ltd. of Goa is entering the capital market on December 7, 1981 with a public issue of 8,25,000 equity shares of Rs 10 each for cash at par.

According to Mr Auduth Timblo, Managing Director of the compony the object of the public issue is to meet a part of the cost of luxury beach resort hotel being set up at a cost of Rs 3.75 crores at Dona Paula near Panaji. The hotel is being set up in collaboration with ITC Ltd. and will be part of the Welcomgroup chain of hotels.

The beach hotel, called Cidade de Goa and situated in scenic splendour of western coast of Arbian Sea, will be of international standards comparable with any of the resorts in India and abroad. Almost all the building work of the hotel has been completed and now work on interior decoration and final touches are going on. The hotel will open for public from December 15.

The company, Fomento Resorts, will contribute Rs 52.5 lakhs and raise an additional Rs 82.5 lakhs by way of public issue of equity towards the company's total share capital of Rs 1.35 crore. The company will raise the remaining Rs 2.12 crores as soft loan from institutions and get further Rs 15 lakhs by way of Government subsidy for location in a backward area.

ITC Ltd, collaborator in the profect, will be in charge of marketing. ITC Ltd will get 10 per cent of the hotel's profits after deduction of depreciation and interest.

Capital and Bonus Issues

The following companies have been allowed to raise their capital. The details are at follows:

(A) Bonus Issue

1. M/s Wockhardt Private Limited: Rs 10,00,000 in fully paid equity shares of Rs 100 each in the ratio of 1:1.

2. M/s Krebs Engineering Private Ltd: Rs 1,00,000 in fully paid equity shares of Rs 1000 each in the ratio of 1:1.

3. M/s Colour Cartons Limited: Rs 18,00,000 per in fully paid equity shares of Rs 10 each in the ratio of 1:1.

4. M/s L.G. Balakrishanan & Bros Limited: Rs 20,00,000 in fully paid equity shares of Rs 10 each in the ratio of 1:4.

(B) Further Issue:

5. M/s Pratap Rajasthan Copper Foils and Laminates Ltd: Issue of equity shares worth Rs 340 lakhs, inclusive of the capital already raised, for cash at par. The proceeds of the issue are to be utilised to meet, in part, the cost of the project for the manufacture of copper foil and copper clad paper phenolic laminates, to be set up at Jaipur (Rajasthan).

6. M/s Davy Ashmore India Limited: Issue of secured right debentures of Rs 100 lakhs for cash at par. The debentures will carry interest at the rate of 13.5 per cent per annum. The debentures will be payable to registered share holders only. The proceeds of the issue will be utilised for strengthening the working capital base of the company.

7. M/s Shreyans Paper Mills Limited; Issue of equity shares worth Rs 305 lakhs for cash at par. The proceeds of the issue are to be utilised to meet, in part, the cost of the paper project to be set up in Ahmedgarh, Punjab.

8. M/s Modern Nets Limited: Issue of equity capital worth Rs 100 lakhs. Of this Rs 80.36 lakhs will be offered to the public through prospectus. The proceeds of the issue will be utilised to partly finance the cost of the project to manufacture nylon monofilament and PVC float.

9. M/s Modi Industries Limited. Issue of Rs 12 lakhs worth of fully paid equity shares to LIC, GIC and its subsidiaries, and ICICI in lieu of their exercising the option of converstion attached to debentures.

10. M/s Usha Alloys Steels Limited: Issue of secured redeemable debentures for Rs 150 lakhs and 4,00,000 equity shares of Rs 10 each for cash at a premium of Rs 5 share to be allotted to the debentureholders. The proceeds of the issue are to be utilised to meet the increased working capital requirements of the company.

HEAVY ENGINEERING
CORPORATION LIMITED
(A Govt. of India Enterprise)
RANCHI-834004

No. Pur/HMB/81/965247/MW-4461: Sealed tenders are invited by the Manager (Materials)/HMBP, Heavy Engineering Corporation Limited, P.O. Dhurwa, Ranchi-4 for the supply of 8 Nos Draw Gear Arrangment Assly as per schedule in his office upto 2 p m. on 21.1.82. The tender will be opened on the same date at 3.30 p.m. in presence of attending tenderers or representatives. The tenderer should submit their quotation alongwith earnest money for equivalent to 2% of the quoted value in the form of Demand Draft or Deposit at Call Receipt issued on State Bank of India, Hatia Branch, Ranchi-834 004 in favour of H.E C. Limited.

Tender documents alongwith schedule, specifications can be had from the office of the Jr. Manager (Pur) HMBP or from the offices of the Branch Manager, HEC Ltd, Third Floor, Bajaj House, Nehru Place, New Delhi-110019, Branch Manager, HEC Ltd, 77, Park Street, Calcutta-16 on paying a crossed Postal Order of Rs 50/- (non-refundable) in favour of Manager (Materials) HMBP.

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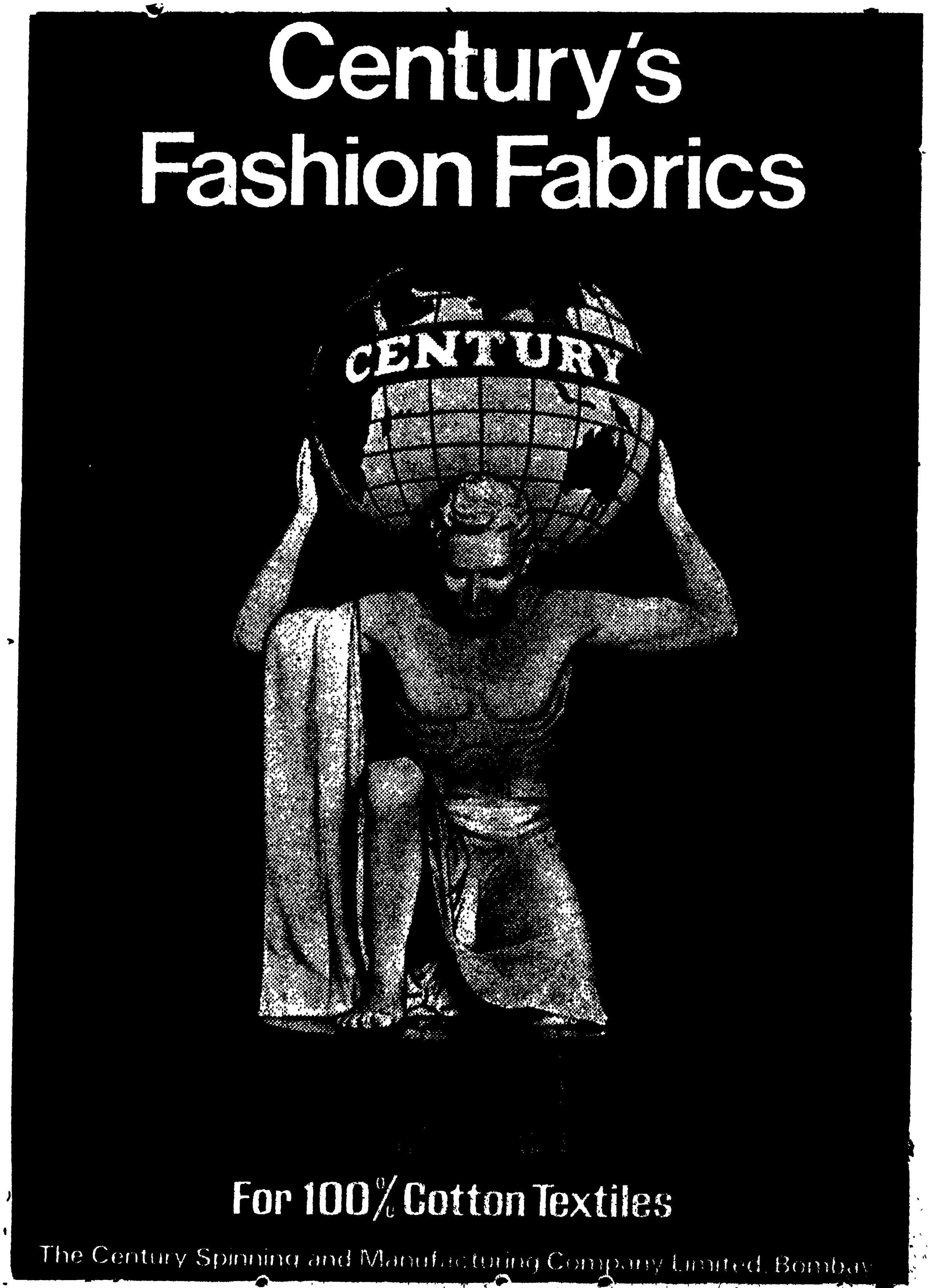
Editor : Swaminathan S. Aiyar

Registered at the GPO, London
as a newspaper

Licensed to post without prepayment U-54, Regd. No. D(C) 257
Registered with the Registrar of Newspapers of India under No. R.N. 535/57



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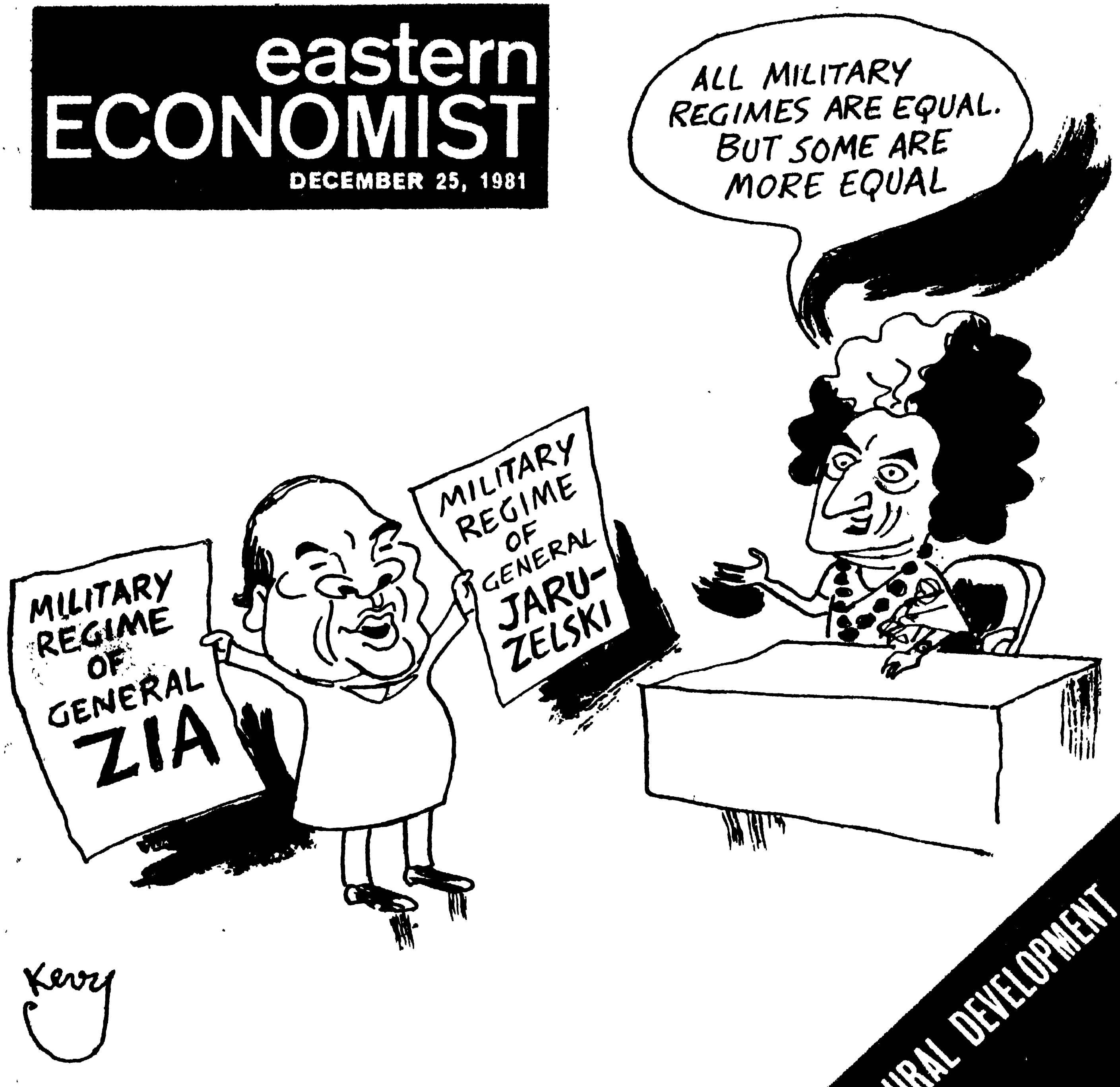
DECEMBER 25, 1981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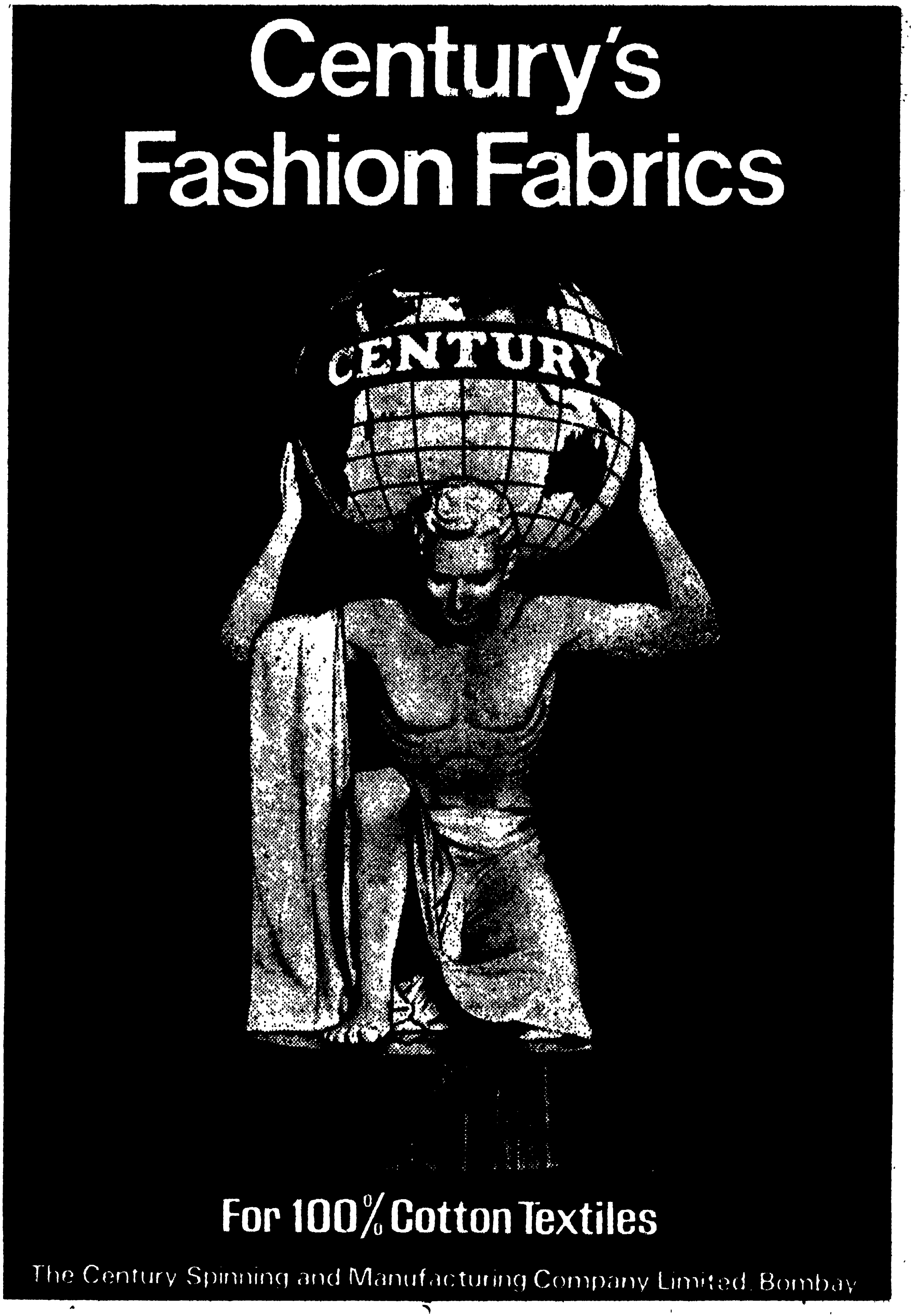
MILITARY REGIME OF GENERAL ZIA
MILITARY REGIME OF GENERAL JARU-ZELSKI
Kevy

M.S. SWAMINATHAN ON RURAL DEVELOPMENT

THE SQUEEZE ON AID



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Vol. 77 No. 26 DEC. 25, 1981
Price Rs 3.00

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This Week

December 16

Reserve Bank of India reduced the value of rupee by 1.16 per cent. The middle rate was fixed at Rs 17.30 from the previous Rs 17.10 per pound.

Sri Lanka Government, citing continued threat of racial disturbances, extended for a month the state of emergency declared on August 15.

Polish troops moved in to end strikes in Warsaw as Poland went through the fourth day of marshal law.

December 17

Minister for Agriculture introduced in the Lok Sabha a bill seeking the formation of Sugar Development Fund for providing assistance for modernisation and rehabilitation of sugar factories.

Three leaders of the Coordination committee of the Karamchari Parishad in Gauhati were detained under National Security Act.

December 18

Wholesale prices declined during the week ended December 5 by 0.3 per cent over the previous week. The index came to 277.7.

The term of Mohd. Fazal committee, appointed to scrutinise the working of the public sector, has been extended upto March next year.

Declaring the Israeli annexation of the occupied Syrian Golan Heights nul and void, the Security Council unanimously demanded that Tel Aviv rescind its move forthwith.

The Government has decided to extend President's rule in Assam by another six months. It was to lapse on December 9.

The Minister for Finance stated that the Government did not want to impose price control on more consumer items.

December 19

Solidarity leader Lech Walesa had a heart attack.

Albanian Prime Minister Mehmet Shehu committed suicide according to Albanian embassy in Athens.

Steel Authority of India Limited and Metallurgical Consultants of India Limited signed an agreement for training 121 personnel of Delta Steel Company of Nigeria.

Singapore Government plans to phase out workers from India, Bangla Desh and Sri Lanka employed on work permits. This did not apply to ship building and construction industry.

December 20

The Government ordered a drastic cut in the import of aluminium during this financial year.

The Export Credit and Guarantee Corporation proposes to introduce from January 1, 1982 a simplified programme for short-term exports.

December 21

Libya announced cuts ranging from 50 cents to $ 1 in the official prices of its various crudes, effective from January 1.

Mohan Lal Sukhadia Committee announced to study the financial implications of the proposal for replacement of sales tax by excise duty in respect of vanaspati, drugs and medicines, cement, paper and paper board and petroleum products.

The Mica Trading Corporation of India signed a technical collaboration agreement with a Japanese company for the manufacture of mica paper for mechanical and calcined process.

December 22

The pound-sterling became cheaper by 10 paise following the up-valuation of the rupee by 0.58 per cent. The new middle rate was fixed at Rs 17.20 per pound against the previous rate of Rs 17.30 per pound.

The Minister for Petroleum told the Lok Sabha that the Government was considering a legislation to centralise distribution of molasses and alcohol.

India has decided to become a party to the agreement establishing the common fund for commodities finalised after negotiations under the aegis of UNCTAD.

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ECONOMIST

The Squeeze on Aid

TILL JUST last year, foreign aid and policy could be regarded as two quite separate issues. But not any longer. That is the full measure of the change in the aid scene with the coming of Mr Ronald Reagan. And now that Mr Robert McNamara has left the World Bank and Mr Tom Clausen has taken over, Third World countries have discovered that they cannot depend on the Bank to shield them from US foreign policy goals. Those who fall into the American camp by one definition or another have little to fear from the new dispensation. Those who are outside the American camp, like India, are going to be squeezed.

For many years now, India's principal source of aid has been the International Development Association, the soft-lending affiliate of the World Bank, accounting for half or more of total receipts. Under Mr Robert McNamara, the IDA grew in size steadily, and India had a 40 per cent share in all its loans. The terms were excellent—50-year repayment and zero interest, only a service charge. The money was untied. Indian companies were given a price preference when bidding for IDA contracts. There were no foreign policy pressures, no pressures to buy from any particular source. Now we have an American President who frankly wants to link aid with foreign policy. He does not want American cash to be given to "ungrateful" nations like India, either directly or through multilateral institutions. At the same time he has an ideological bug about market forces, and wants the Third World to depend increasingly on commercial loans. He totally ignores the fact that concessional loans expanded in the late 1960s and early 1970s precisely because it had become clear in the early 1960s that Third World nations were incapable of servicing commercial loans without getting caught in a debt trap. He would have been less concerned about the ideological crusade if the main recipients of multilateral aid had been his friends. But when he saw that India would be the main sufferer, he had no compunctions about wielding the axe.

India had hoped for 1.6 billion dollars of fresh commitments from the IDA this year, constituting 40 per cent of the expected disbursement of 4 billion dollars. Thanks to the cut in the US and other contributions, disbursements are unlikely to exceed 2.6 billion dollars and India is unlikely to get more than 750 million dollars. Not only is this less than half the original amount, it is barely 25 per cent of the truncated disbursement. If this is going to be India's fate when China is still excluded, one can readily imagine what will happen when China becomes a major beneficiary after 1983 (when IDA-7 will come into force). There is not the slightest chance that this huge shortfall can be offset by additional aid from other OECD countries or Russia. Indeed, many European countries have served notice that bilateral aid in real terms is going to fall in the years ahead. The Economic Affairs Secretary, Mr R.N. Malhotra, claims that he is still confident of getting a total of two billion dollars from the IBRD group this year. But when Mr Clausen himself says there is a shortage of funds, Mr Malhotra's words hardly carry conviction. Much more use is being made this year of the other Bank affiliate, the International Finance Corporation, and normal IBRD borrowing will also be higher, but the total looks like falling well short of two billion dollars.

In short, the Reagan formula is going to be imposed on India, and it will have to depend increasingly on commercial loans to bridge its payments gap. The situation was not unforeseen. The giant IMF loan of 5.7 billion dollars was planned, inter alia to take care of expected aid shortfalls. Thus in the immediate future we will not see any crisis arising out of the aid shortfall. Indeed, there are over four billion dollars of aid in the pipeline waiting to be disbursed, and the effects of the new aid squeeze will have their full impact only in the years ahead. But there is a good chance that the Reagan trend will continue into the next decade. Disillusionment with aid or multilateral institutions is not a Reaganite monopoly. If the trend continues, India will be left with only two options. One is to borrow on commercial terms on a massive scale. The other will be to change its foreign policy, and get aid as a reward. It is impossible to see Mrs Gandhi following the latter course.

But in fact the two alternatives may fuse into one. We have long demonstrated our difficulty in servicing even soft loans. We have made very inefficient use of aid, and this is reflected in an outrageously high capital-output ratio. If we now finance projects with commercial loans bearing 16 per cent interest and repayable in seven years, we will truly be in the soup. Our debts will catch up with us, and soon repayments may outstrip fresh commercial loans, as has happened in the case of much more efficient countries like Brazil. At that point we will once again need aid, which may be available only at the expense of foreign policy.

Is there no way out? Yes, there is. We need a sustained improvement in productivity. Borrowing is not a sin but virtue provided (1) the return on the investment is higher than the rate of interest, and (2) the project generates (or saves) enough foreign exchange to service the borrowing. Oil and alumina fit into this category. We will have to seek out many other such areas, like coal. We have a huge comparative advantage in coal, cement and steel, and should be exporting these items instead of importing them. This is not the place to go into the details of how this can be done. Suffice it to say that we must have a new orientation towards foreign technology and investment, towards profitability and rational pricing, and above all towards relentless cost cutting rather than social goals or the "indigenous angle".

Dark Clouds and Silver Linings

THERE ARE both dark clouds and silver linings in the RBI's Report on Currency and Finance for 1980-81. It notes that inflation has at last been controlled, though the respite might be short-lived. The price index for all commodities rose only 0.1 per cent between June-end and October in 1981, against 4.7 per cent in the same period last year. The price of cereals has risen much faster this year than last year (3.2 per cent against 4.1 per cent), which highlights the extent of the price fall in other sectors (mainly sugar and edible oils). The good progress of rice procurement suggests a bumper crop, and rabi prospects are excellent, thanks to early rains. The IMF loan means that the country will not have to retreat into a besieged fortress of import controls.

And now for the bad news. The biggest black mark in the economy is the balance of payments. The trade gap for 1980-81 is now estimated at a record Rs 5,700 crores. Although this will be reduced in the current year, invisibles have gone haywire, and reserves (net of IMF transactions) are falling much faster than last year. The RBI has pointed out that the IMF loan by itself solves nothing. It merely delays the day of reckoning. The economy will have to be much more dynamic and competitive if it is to resolve the payments problem, and generate enough surpluses to service our fast-rising borrowings from the IMF as well as from commercial banks and the IBRD. With the IBRD and IMF charging double-digit rates of interest, even multilateral assistance will degenerate into a debt-trap unless we pull up our socks. The Reserve Bank does not say so, but the best assurance of improved economic discipline is the fact that Big Brother IMF is watching us. The fact that the Railway Minister announced higher freight rates in December instead of letting things drag on till the Railway budget two months hence shows that political expediency will no longer take automatic precedence over economic realities.

Export performance in 1980-81 was pathetic, with a final figure of Rs 6,700 crores against the anticipated 7,200 crores. The target of Rs 8,400 crores this year looks quite beyond reach. The deterioration in our terms of trade means that global inflation is inflating imports without simultaneously inflating our exports. The volume of export growth has registered very slow increases since 1976-77. There is a basic problem of production, compounded by uncompetitive prices arising from inflation. Here again IMF discipline could rectify both faults.

A more worrying trend is the fall in savings. Aggregate domestic saving as a proportion of NNP fell from a peak of 19.5 per cent in 1978-79 to 17.1 per cent in 1979-80. This was attributed by some experts to the drought. But even in 1980-81, the ratio fell to 17.0 per cent. If indeed the inexplicable savings boom has gone inexplicably bust, we are in trouble. The Sixth Plan has assumed steadily rising savings ratios, not falling ones. The household sector has accounted for the lion's share of savings (80.23 per cent) in 1980-81, with the public sector's share falling to just 14.3 per cent (from 22.4 per cent two years previously). Fortunately public sector is likely to show a big jump this year, thanks to higher prices for the ONGC's oil, Coal India's coal, and SAIL's steel. The Railways are struggling to get out of the red, but should be comfortably in the black by 1982-83.

The food outlook is clouded. Offtake from ration shops fell to 8.4 million tonnes in January-August 1981 against 10.4 million tonnes in the same period last year, thanks to cuts in the public distribution system. But wheat imports and the prospect of a bumper rabi harvest could ease the pressure on ration shops and fill the open market pipeline.

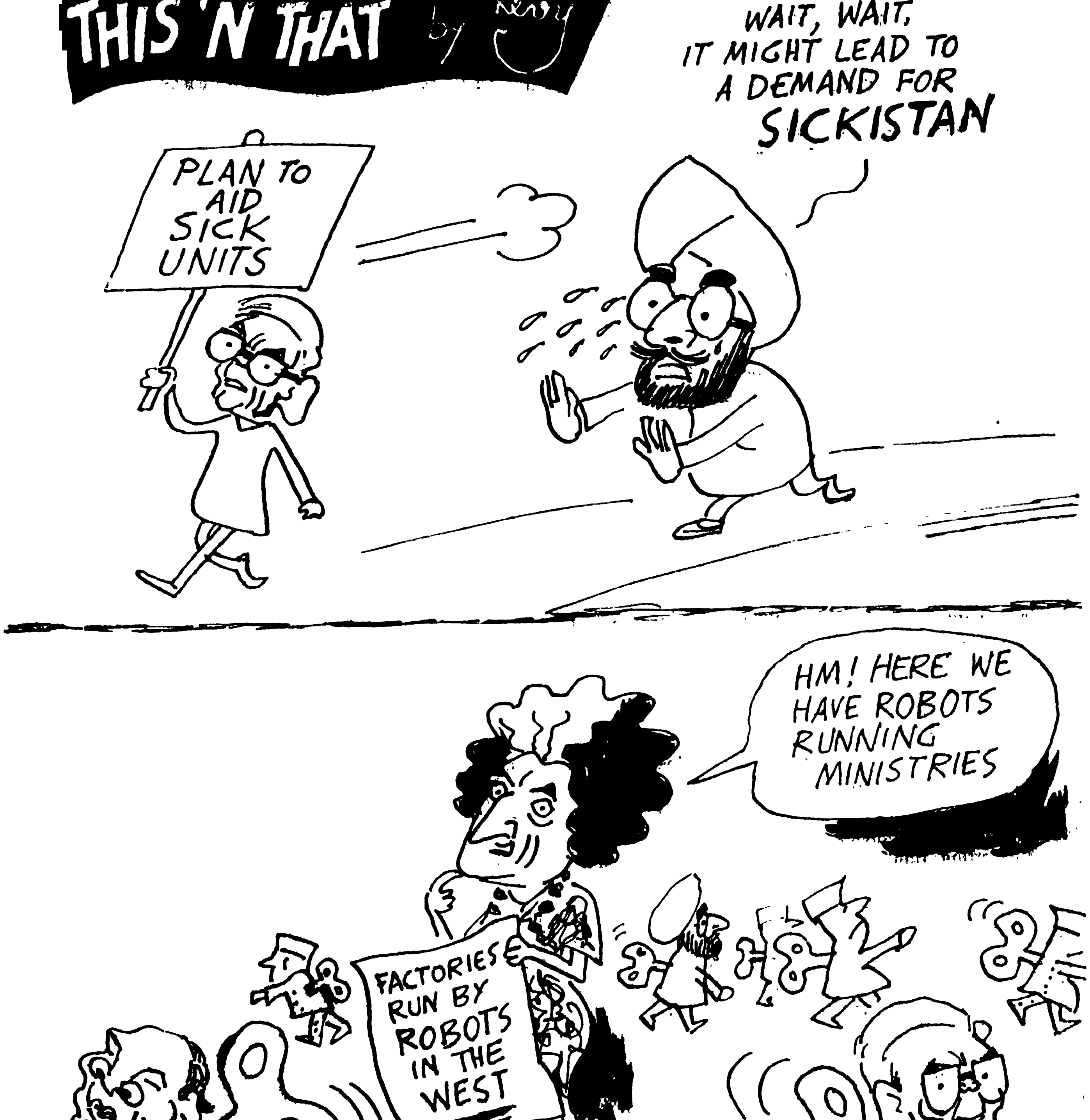
Industrial growth this year could exceed 10 per cent, a good feat even though it follows two very slack years. The improvement of infrastructure has enabled capacity utilisation to shoot up, with oil and fertilisers being star performers (both have risen by 60 per cent or more this year). It will not be easy to keep up this momentum once the slack disappears from the system.

One problem faced by producers in the days ahead is going to be credit. With the IMF frowning on rapid monetary growth, industries will have to make do with proportionately less credit. This is far from impossible, considering the very wasteful deployment of credit today and excessive inventories. And with the capital market in fine fettle, large industrial groups are finding it possible to raise large sums through equity issues and debentures. The equity capital raised in the first half of 1981 was Rs 256.7 crores against Rs 113 crores in the same period in 1980, and debentures accounted for another Rs 43 crores against nil last year. GNFC and Reliance raised Rs 89 crores and Rs 24 crores respectively by way of equity, and the Tata Power Companies raised Rs 17.6 crores. The raising of debenture interest rates to an effective 14.5 per cent means that companies can now raise large sums and reduce their dependence on bank finance, along the lines suggested by the Chore Committee. But smaller companies lacking stock market glamour will not be able to take this way out, and shudder at the mention of Chore. The RBI has recently decided to relax the Chore norms for sick and expanding companies, which means in effect most companies.

The outlook is mixed. Cost-push inflation continues to lurk as a danger, and the economy is palpably unable to stand the effect of a drought. It remains true that one inch of rain in India is worth a thousand Government decisions.

THIS 'N THAT

by Kersy


PLAN TO AID SICK UNITS
WAIT, WAIT, IT MIGHT LEAD TO A DEMAND FOR SICKISTAN
HM! HERE WE HAVE ROBOTS RUNNING MINISTRIES
FACTORIES RUN BY ROBOTS IN THE WEST

Dry Thoughts

BUYING a second-hand car these days usually means buying first-class trouble. No person wants to sell a car in good condition, as he cannot hope to replace it with a new one given the prohibitive cost and long waiting list. Hence the vast majority of cars advertised for sale are run-down pieces of semi-junk, which have been given a cosmetic face-lift by dealers (who are usually double-dealers) to cover up obvious defects. I know this to my cost. I bought a second hand Ambassador in July, which looked as bright and shiny as a pin. But the devil's contraption refused to start the very next day. I had to change or repair the dynamo, cut-out, battery, and self-starter in an endless cycle, and still the car would work for no more than three or four days at a stretch. A door handle broke off, something under the floor began to rattle, and a headlight cover fell off. The wheels were not aligned, and the two front tyres became bald at the edges. No editor of an economic magazine likes to admit that he has made a monumentally stupid investment, but in this case the evidence was incontrovertible. I decided to sell the contraption, at a distress price if need be. But I discovered to my astonishment that car prices has shot up in barely two months, and my garage mechanic assured me I could sell my car at a profit.

A dealer came along with a prospective buyer. I did not mince words about the car's starting problems, its need for an engine overhaul and wheel alignment. But instead of getting discouraged, he insisted on buying in on the ground that I was the first seller he had come across honest enough to tell him about a car's defects. He felt more secure knowing what was wrong with the vehicle—in other cases, he explained, the risk was far greater. And so I got rid of the miserable contraption for Rs 1000 more than I had paid for it.

That still left me with the problem of finding another car. This time I was determined to buy a car only from somebody I knew, who could give me a personal assurance about the car's behaviour. It took me a couple of months of waiting. Then I heard that Mr P.T. Venugopal, the retiring Chairman of the Oil and Natural Gas Commission, was selling his Fiat. The car had been used sparingly, and was in excellent shape. Mr Venugopal had received an offer of Rs 50,000 by cheque, and a higher bid of Rs 55,000 in cash from a businessman flush with black money. He turned down the lucrative black money offer immediately. And when he heard that I needed a car, he was willing to lower his price below Rs 50,000 in case the sum exceeded my budget.

I was immensely touched by this, and said I would match the best white money offer he had received. I went to him with my cheque, and asked why he was selling the car. Would he not need it wherever he went ? He replied that he had turned down offers of post-retirement jobs, and intended to settle down in Madras. On his pension, he would not be able to afford the running expenses of a car. He had therefore decided to sell it. And how, I asked, would he move around in Madras ? He replied that he intended to buy a moped.

It took my breath away. Here was a man who had been used to chauffered cars for years. And yet he was quite content to change his whole life style and come down to a lowly moped. Here was a man with the qualifications to get a job in a foreign oil company at Rs 50,000 per month or more. And yet he was willing to live on the meagre crumbs that constitute a Government pension. Here was a man who refused a large cash offer on the ground that he must be paid entirely by cheque, even though nobody would ever have asked any questions about a cash sale. Here was a man who was about to suffer a sharp fall in his standard of living and yet he was more concerned about my budget than his own.

As an Indian, I feel two inches taller at the thought that we still have honest, hard-working men like Mr Venugopal around who are interested not in what they can get out of the system but in what they can contribute to it. The stench of moral decadence fills the corridors of power. The vultures are gathering to gorge themselves on the putrid flesh of the body politic. Brother stabs brother in the back, men sell themselves for forty pieces of silver, virtue is rewarded with humiliation and poverty, while vice occupies places of honour. And yet in the middle of it all we have decent, upright men who ask for nothing save the opportunity to contribute their bit to the national good. They resist temptations that others find irresistible. They do not ask what reward they will get for sticking to principles, but find satisfaction simply in being true to their principles. I salute these men and women wherever they be. It is they and not our so-called leaders that constitute the hope of the future.

There are too few of them around, and too few in positions that matter. No matter how laudable may be his self-effacement and absence of power mania, I am distressed at the thought that Mr Venugopal is living quietly in a corner of Madras. He, and others like him, should be deployed in key positions by a country that badly needs more honest and dedicated men. The kind of people who urgently need to be retired are of a different ilk.

Swaminathan S. Aiyar

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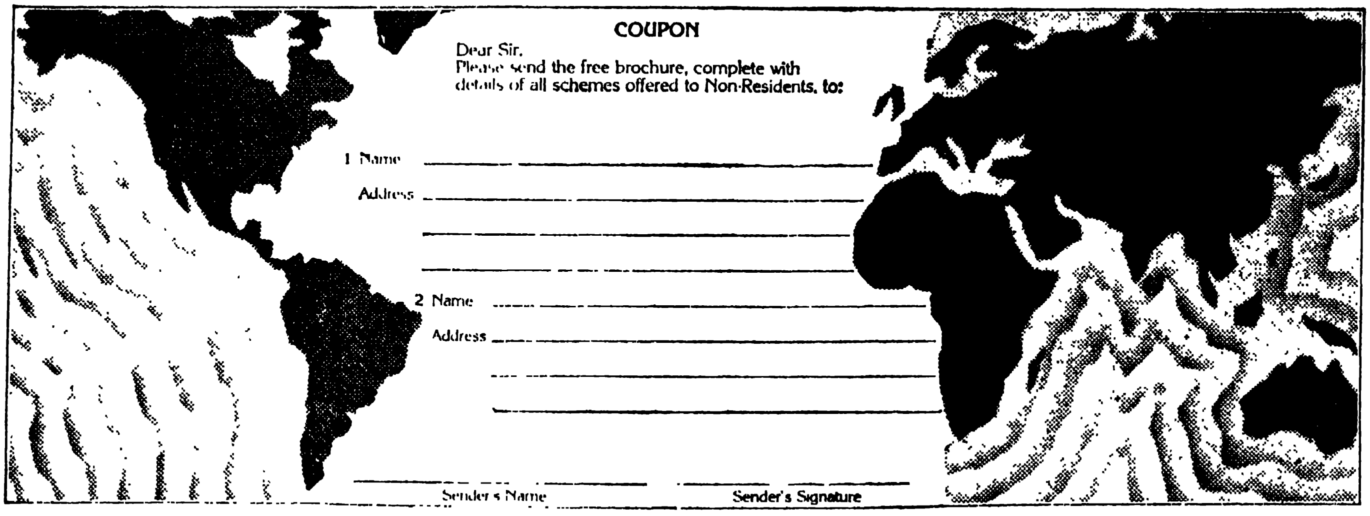

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A New Approach to Industrial Disputes

Naval H. Tata

THE SUBJECT of industrial disputes settlement is a complex one. It has many angles and aspects apart from being highly controversial. The question is what is an ideal system of industrial relations under our conditions, to minimise disputes and maximise production? There is no straight or simple answer to this question. With our decades of experience under the British rule, our approach has been mainly influenced by the philosophy of collective bargaining largely prevalent in Europe and the USA. With the establishment of the ILO, the philosophy was codified under the ILO Conventions of Freedom of Association and the Protection of the Right to Organise (No. 87) and the Right to Organise and Collective Bargaining (No. 98) more than 30 years ago.

Basic Preconditions

In India, we have followed this as our basic approach in conducting our industrial relations. No doubt, our Government has tried to regulate collective bargaining through several legislations but we have somehow failed to rasp some of the basic preconditions required to render collective bargaining meaningful. As a result, while we all seem to swear by collective bargaining, yet in trying to implement it, each side interprets it to suit its own convenience. In the process, there seems to be an overemphasis on the rights and benefits we can extract out of it whilst we ignore the philosophy of mutual understanding we can create behind the process of bargaining. Thus, in a totally one-sided approach, we more often emerge out of it more antagonistic towards each other than at the commencement of the process.

Why do trade unions prefer collective bargaining to the other alternatives, viz. arbitration or adjudication? Trade unions support collective bargaining more through protest against adjudication which often involves delays and because it has too many safeguards against rash or biased award. They decry adjudication, only because it permits employers to appeal against perverse awards of an adjudicator. Since such appeals are time consuming, they are not prepared to wait further for decisions on appeals. Yet, despite this prejudice, they do not hesitate to rush to tribunals when it suits them out of expediency.

Could their preference for collective bargaining be on the grounds of avoiding a third party interference in their dispute? It could not be so, because they never seem to be tired of demanding legislation and ordinances, which in effect is a negation of a bipartite approach, as symbolised by collective bargaining. On the other hand, their efforts to support voluntary arbitration was often countered by employers who felt that except in the Bombay Industrial Relations Act, there is no appeal against perverse judgment of an arbitrator.

Lack of Implementation

The Government has not found a peoper solution to some of the basic issues which come in the way of implementing collective bargaining. If we sincerely wish to promote collective bargaining as a truly democratic and equitable mode of settlement of industrial differences, it cannot be done until we have satisfied the following basic preconditions :

(1) A fool-proof system of identifying the bargaining agent;

(2) Recognition of the need of ultimate weapon on each side, viz. the right to strike and lock-out;

(3) A *bona fide* use of either of the weapons, after due warnings in the event of a deadlock; and

(4) Neither side to resort to violence, should failure of negotiations lead to strike or lock-out.

One of the prerequisites of collective bargaining is to determine who is the bargaining agent on behalf of the workers. Unfortunately, in India, this issue has remained unsolved despite employers' repeated pleas to the Government. This has been the main cause for multiplicity of unions which is largely due to absence of a fool-proof system of identification of bargaining agent.

The resulting rivalry through multiplicity of unions, has unnecessarily involved the employer in their dispute. This is mainly due to a rigid stand taken by the largest organisation of workers, on the method of determining the most representative union.

Secret Ballot

Unfortunately, one section of the trade union leadership, stoutly advocates the continuation of the prevalent method of verification, for the purpose of determining the bargaining agent. On the other hand, the rest of the organisations are equally adamant in the demand that secret ballot would be the best method.

The secret ballot is the method almost universally adopted, in most countries, and has the merit of simplicity and fairness. while the verification of membership has also the appearance of fairness, the other side stresses the possibility of manipulation by a biased Government in favour of a union of its choice. Such an impasse through conflict of opinion can do undue damage to prospects of establishment of a system, accepted by all trade unions.

As a compromise, I have suggested a number of alternatives, such as the "check-off" system, or a combination of verification and secret ballot, where the difference between two or more rival unions in regard to verified membership is less than 10 per cent. Failing all three, I have suggested to the central organisation of workers to form an apex body in the form of a Council of Trade Unions, which could undertake the primary responsibility of deciding the mode of determining the representative character of a trade union, in the event of trade union rivalry challenging each other.

The sole interest that the employer has in the issue is to ensure that he bargains with the trade union which is a *bona fide* representative of the workers and as such could deliver the goods. In the absence of an acceptable solution to this vexed question, the rivalry among the trade unions unnecessarily involves the employers in an internal dispute of the workers and on top of it, he is blamed unfairly for creating industrial conflicts.

So long as we do not evolve a system which enjoys the confidence of all apex bodies of trade unions, inter-union rivalry will persist and will never permit collective bargaining to have roots in this country. It is time that the trade unions with the help of Government resolved this issue once and for all.

The Implications

The Second prerequisite for effective collective bargaining is to understand the implications of the collective bargaining process. It is implicit that, on the failure of negotiations, both parties have euqal right and freedom to use the ultimate sanction, namely their respective right to strike and the reciprocal right to lock-out. It is unfortunate that there is much misunderstanding on this point. In order to make collective bargaining meaningful, the ILO has recognised the right to strike/lock-out. The ILO Freedom of Association Committee to monitor complaints from trade unions has commented adversely when the Government of a country seeks to prevent the use of these twin rights of strike and lock-out in the course of collective bargaining in an industrial dispute.

Ironically, in India, the right to strike is considered as the fundamental Human Right, whereas a lock-out is regarded as an act of exploitation of the working class by the capitalist. It is not realised that ignoring the equilibrium intended to be maintained through the right to strike along with the right to lock-out renders the process of collective bargaining incomplete, meaningless and inequitable. Unfortunately, most State Governments, labour courts and even well-meaning members of the judiciary, through sheer prejudice, condemn lock-outs by employers. Surprisingly enough, they do so even when lock-outs are declared following emergence of violence and sabotage.

A Misconception

Such approach condemns lock-outs as if they were a product of anti-social action. It is due to such unfortunate misconception that the Government while condoning illegal strikes by workers penalises the employer for declaring a lock-out. In doing so, the Government often ignores the fact, that the very philosophy of collective bargaining presupposes an inevitable contingency in which either side may have to exercise the right to use the ultimate sanction in-built. Hence, the process may end up with a strike or lock-out should the dialogue fail. It is indeed discriminatory to impose legal curbs on the right of the employers to close down or lock-out his undertaking. Such curbs are often in the shape of a requirement on the part of an employer to give prior notice or permission or approval of his action. Strangely enough, no corresponding curbs are imposed or even contemplated for illegal, wild-cat and politically-motivated strikes by the employees.

While collective bargaining considers the right to strike/lock-out as sacrosanct, 'go-slow' as a pernicious practice is assuming alarming proportions, during the last two years. It is resorted to under deliberate instigation, from the trade unions, by discontented or disgruntled workmen. It is intended to convey to the management, that they are not on strike; an attempt which does not carry any conviction to management.

But unfortunately, some governments connive at it, to pressurise the management in the hope that the employer will yield to the demands of the workers, on the plea that there is yet no direct action on the part of the union. Go-slow has not been recognised as a legitimate weapon for collective bargaining. In fact, in the eyes of law, it is a misconduct which is punishable with dismissal. Yet in spite of its condemnation by both government and judicial authorities, it is frequently resorted to on an extensive scale as an effective method of pressurising the management. In doing so, it has reduced collective bargaining to a mockery.

It would be impossible constitutionally for the management to chargesheet all the workmen involved in go-slow movement to be able to take disciplinary action. In order to prevent collective bargaining degenerating into such a pernicious practice, highly industrialised countries like the USA have provided in their labour laws suitable provision for penalising trade unions and workers when they resort to go-slow. We have none in our country. In one of the Scandinavian countries viz., Denmark, a labour court recently imposed fines on the employees for resorting to go-slow. Therefore, it is imperative that a suitable legislation be introduced to curb this evil, without further delay.

Violence as a Tool

Another factor which has discouraged and discredited collective bargaining is the intrusion of objectionable elements such as gheraos, violence and intimidation as if they were an integral part of a process of collective bargaining. It is not realised that a civilised process of mutual understanding is necessary for settlement of industrial disputes. In such an effort for settlement, there can be no room for violence, coercion, intimidation and abuse.

What is astonishing is the fact that some State Governments do not care to discourage such behaviour of the employees. Through their noninterveinton, it gives such questionable practices a stamp of legitimacy. For law-abiding workers who do not participate in such action it is a cruel blow to their sense of responsibility. Some of trade unions have yet to realise that to do damage to an industrial unit is to jeopardise their own prospects by impairing the profitability of the company which must ultimately erode employment opportunities and thus hurt even the national economy. Some of the exhorbitant demands made by the trade unions for wage increases are often accompanied by actions which would earn a jail sentence if indulged in by an ordinary citizen. But trade unions operate under the immunity they enjoy through freedom of association for purposes of collective bargaining, as enshrined in the ILO Conventions. Our Government has been considerate enough to respect this convention though it has not ratified it for reasons pertaining to employees in essential services and Government service. As such, trade unions should not take an advantage of a generous gesture on the part of our Government.

Our present legislation, namely the Industrial Disputes Act, has broken down as it has not been able to tackle the basic issues of industrial relations which I have dealt with. The National Labour Commission made a determined and sincere effort to analyse the causes of this situation and provided solutions. It evolved a consensus which was acceptable to two of the largest trade union organisations, namely, the INTUC and the HMS, and the employers and the independent members including the Chairman. Unfortunately, it was sabotaged by the State Governments for political reasons. The solutions offered by the NLC was for appointment of Industrial Relations Commissions which would have encouraged collective bargaining as well as combined the advantages of adjudication. There is great need today than ever before for implementing such changes.

Technology in Rural Development

Dr M. S. Swaminathan

IT HAS often been remarked that while our country has reasonably well articulated goals in science, similar attention has not been paid to developing a suitable policy framework for technological advance and self-reliance. The former National Committee on Science & Technology and the present Science Advisory Committee to the Cabinet have hence analysed the issues which ought to find expression in a Technology Policy Statement. This will be submitted to Government soon.

While science helps to advance the frontiers of knowledge, it is science-based technology that helps to advance the frontiers of production and productivity. Also, unlike in science where the end result is often unpredictable, specific goals can be achieved through modern technology within a prescribed time frame. A classic example of such a possibility is the "Man on the Moon" project launched by the United States in the 1960's. Our own space programme falls under this category. When the late President Kennedy announced in the early 'sixties that an American should land on the moon before the end of that decade, there was considerable scepticism about the possibility of converting this political decision into reality. However the feat was achieved well before the end of the decade.

A nation's capacity for self-reliance in industry, agriculture and infrastructure will depend to a great extent on the number of trained technologists and management experts it possesses. We are fortunate in this respect. Thanks to the vision of Jawaharlal Nehru and the early planners of technical education in our country, we have a large pool of scientists and technologists. The Indian Institutes of Technology (IIT) have played a significant role in the field of manpower development. They also serve as outstanding examples of mutually beneficial international cooperation.

The impact of our technological capability is evident from the considerable diversification which has taken place during the last 30 years in the manufacturing industry, both small and big. We are now counted among the first ten industrialised countries of the world. Unfortunately, however, we rank very low in terms of per capita income. Large numbers of qualified engineers and diploma holders remain unemployed or inappropriately employed due to a mismatch between the available resources and trained manpower. This is unfortunate, since we know that we possess a large untapped production potential in nearly every sector of industry and agriculture. The Science Advisory Committee to Cabinet has developed proposals for bringing about a meaningful interaction between the untapped developmental opportunities, particularly in rural areas and the under-utilised institutional financial resources on the one hand and the unemployed scientists and technologists on the other. These proposals are under the consideration of Government and I hope decisions will be taken soon which will help us to derive benefit from the technical personnel now remaining unemployed.

Many of our bright young scholars from elite institutions like the IIT have taken employment in other countries. Calculations appear now and then on the cost of such brain drain from developed to developing countries, particularly in professional, fields like engineering and medicine. This problem cannot be solved by just decrying brain drain. What is important is the nurturing of a feeling in the minds of our students that they are wanted for performing essential tasks which can help to accelerate the pace of economic progress in our own country. Our educational system has by and large failed to transmit to young minds the challenges inherent in nation building. Consequently there is no goal or mission in life. There is only fear of the prospect of unemployment and consequently we cannot blame young scholars for their quest for security through seeking jobs wherever they are available.

The more serious form of brain drain in relation to balanced national development is the drain of brains from village to town and city. This drain is one of the causal factors for growing disparities in regional development. This drain can be reversed only through elimination of the current urban bias in personnel policies. Unless conditions are created which can arrest adverse kinds of internal brain drain, international brain drain from developing to developed countries cannot be checked.

Technology to be successful must be compatible with the socio-cultural and institutional factors prevailing in an area. We are yet to give adequate attention to the substrate requirements for technological innovations and diffusion. Those in charge of technology development in our country must study from the beginning the potential impact of an innovation on employment, in addition to its economic viability, ecological soundness and energy requirements. Our population is expected to reach about 1100 million at the time IIT, Delhi, celebrates its Golden Jubilee in 2011. We may be able to produce the food required for meeting the needs of this population provided we are able to provide the institutional support necessary for efficient small farm production. The dependency ratio, which currently stands at 0.84, will go down to about 0.60 in 50 years. This means there will be more people on the job market. Will we be able to provide jobs to everyone? Life has no meaning without work. Fighting the famine of work will, therefore, be the greatest challenge before our technological institutions. For winning this battle, employment generation policies will have to stem from scientific resource utilisation strategies. This in turn will need detailed developmental balance-sheets for each district.

The employment impact statement which should accompany every proposal for introducing a new technology should pay specific attention to women's employment. Quite often rural and urban women are displaced from their traditional occupations through the introduction of new technology. Inappropriate post-harvest technology could result in a large number of women employed in home vending becoming unemployed. In fact many technological innovations lead to the elimination of decentralised and labour intensive forms of production. I am glad that several of the innovations particularly with reference to technology for rural areas under development at the IIT, aim to bring about reduction in drudgery and diversification of labour use and not displacement of labour.

The other area which has received inadequate attention so far is the energy implications of technological change. Fourtunately the high cost of fossil fuels has kindled widespread interest in this field. For example, we are building now several coal-based fertilizer factories to take advantage of our coal reserves. Much remains to be done in introducing energy consciousness in very field of technology development. This is particularly true with reference to rural occupations. A study in Gujarat has shown that about 20 to 50 per cent saving could be effected with regard to the energy currently used for irrigation pumpsets through the adoption of a systems approach. Use of appropriate foot valve and strainer, suction and delivery pipes and prime mover can help to save considerable amounts of energy. Even in the Punjab where there is a greater degree of technological awareness in rural areas, the pump efficiency is only 40 per cent according to a study conducted by the Punjab Agricultural University.

Energy consciousness is essential today in material development and product design. For example, the energy requirements for the manufacture of materials vary widely as shown below :

Material	Tonnes of oil per tonne of material	Kilo-calories/ cubic cm
Aluminium	5.6	158
Steel	1.0	82
Copper	1.2	112
Polyvinyl chloride	1.9	28
Polypropylene	2.5	24

Our country has to go in a big way for providing houses to the growing population. Before modern technology came in, the indigenous architectural design was adapted to derive maximum benefit from the sun, air and locally available material. Unfortunately modern architecture including the design of buildings of technological institutions like IIT, has necessitated the use of artificial light throughout the day. Had there been energy consciousness, the designs of Government buildings would have been different and artificial lighting would have been necessary only after sunset. In many developed countries, the energy involved in packaging food is more than the energy expended in producing the food material contained in the packet. One could multiply such examples. At least from now on, we must develop the habit of examining the energy implications of the different technological options we have.

Ecological considerations were also not integrated in the past with the process of technology development. We now know that the subsequent introduction of anti-pollution measures would be more expensive than the adoption of suitable designs from the beginning. Ecological economics has a time dimension of infinity and, therefore, calculations of cost-benefit relationships will have to be suitably adapted to bring about a harmony between short and long-term goals of development. Explosive progress is now taking place in different areas of technology development. Developments in the field of micro-electronics are opening up unusual possibilities in various spheres of human activity. There is also rapid progress in solar technology. Bio-technology including genetic engineering is opening up new vistas in biology, medicine and agriculture. We must develop the capacity to purchase time in the frontier areas of technology by suitably adapting new innovations to our requirements. Institutions like IIT should be on the forefront of helping the country to achieve quantum jumps in technological progress.

While attention to frontier areas of technology relevant to our own conditions is important, we must pay even greater attention to simple technological innovations which would enhance the quality of life of the rural and urban poor. A little greater attention to the tools used by rural women like the hoe and the sickle would help to improve energy conversion efficiency. Similarly simple methods of carrying goods in hilly terrain would make it unnecessary for loading the human back with heavy boxes and goods. You are all familiar with the thresher accidents in north-west India, frequently leading to the amputation of hands of farmers. This can be easily avoided with a little greater attention to safety measures. As a part of rural extension work, it would be useful if simple methods of improving the efficiency of the implements and machinery used in villages could be demonstrated. I am aware that IIT is already engaged in such extension work but this example needs to be multiplied.

In the ultimate analysis, social acceptability will be the major determinant of technological change, particularly in the decentralised sector of production. It is the decentralised sector which provides the maximum number of jobs. Unfortunately technological support to this sector has been rather weak so far. The social engineering aspects of technology development will have to be kept in view if we want to make technology an instrument of socio-economic change. This would call for a closer interaction between social scientists and technologists.

I could like to cite from agriculture an example as to how we can bring about a radical change from past notions. Just as 'crying for the moon' has lost its relevance as a method of referring to the desire for the impossible, many linkages considered inseparable in the past could now be delinked. There is an old saying all over Asia that "paddy and poverty go together". This is because paddy being a basic staple will not get a high price in contrast to commercial crops. Also paddy straw being poor in nutritive quality could not support a profitable subsidiary occupation like dairying. Today we can substitute the old saying with a new one, viz., "paddy and prosperity go together". This is because of the following factors :

1) Paddy yield can be doubled or trebled by using improved technology;
(2) Paddy straw can be suitably fortified with urea and molasses and made into a complete food for animals. Such fortified and chemically treated straw could be used in small scale dairy enterprises based on high yielding cross-bred cows;
(3) Rice bran oil can be extracted and de-oiled bran could be utilised as animal feed; there is at present a large gap both between the potential and actual quantities of rice bran used for oil extraction and between the quantities used for extraction of edible grade bran oil and the total quantities used for oil extraction;
(4) Solar grade silicon could be extracted from rice husk and utilised for the manufacture of photo-voltaic cells. Also, rice husk can be used for manufacture of cement and for decentralised power generation.

In other words, rice-based farming systems could become catalysts of change in rural occupations. Industrial estates based on rice farming could be organised in areas where the dominant crop is rice.

(This is part of the convocation address to the Indian Institute of Technology, Delhi, on December 4, 1981).

EASTERN ECONOMIST

Subscription Rates

Single Copy : Rs. 3/-
Annual : Inland Rs. 150/-
Foreign $ 50 £ 25

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P. Box No. 34,
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New Delhi-110001

Increased IFC Participation

ONE DEVELOPMENT of the past year, which has been noticed only recently, is the increasing participation by the International Finance Corporation (a World Bank affiliate) in Indian projects. Sanctioned assistance by the IFC in the recent months comes to nearly $120 million, which is way above the negligible sums sanctioned till last year. Current requests with the IFC are from Modi Cement, Indian Rayon (for their cement projects) and Bharat Forge (for its huge expansion plan). These requests total up to a further $25 million.

Indian business houses have started turning to the IFC and the visit of the Vice-President of IFC, Mr Hans Wuttke, is likely to yield further results in this direction.

The IFC recently sanctioned a loan of about $16 million to Bombay Dyeing for its MT project located at Patalganga. Earlier, it cleared a sum of $28 million to Ashok Leyland and $5.6 million to the Nagarjuna steel group. Mahindra and Mahindra have also obtained $15 million and Coromandel Fertilizer $16 million. The biggest loan by the IFC, however, was to TISCO which got $38 million including a syndication of $20 million.

Poor Involvement

Until last year IFC's involvement in Indian projects was poor, partly owing to Government policy regarding external financial help. In the 1970s IFC's participation was extremely limited and in 1979 it had sanctioned just $7.5 million and equity participation for $1.14 million in the Rs 43-crore petroleum project of Deepak Fertilizers. Before that IFC has participated in the equity capital of the Housing Development Finance Corporation and also disbursed a loan of about one million dollars. As such IFC's commitment since its inception in 1956 till the end of June 1980 amounted to $73 million only, accouuting for less than 2.5 per cent of its total financing for private sector units.

It is reported that the interest rates being charged by the IFC to the pending requests from Modi, Indian Rayon and Bharat Forge will be somewhat lower than the interest charged on projects sanctioned for other Indian companies earlier because the rates in the Eurodollar market have softened considerably. The Libor is now currently around 13.25 per cent against a high of 19.5 per cent in May, 1980.

IFC's increased participation in Indian projects is largely owing to the fact that the country has been experiencing an increased need for foreign exchange just when the availability of foreign exchange through foreign aid and the traditional sources of external finance has been poor.

LIC Affairs

THE WITH-PROFIT policy-holders of Life Insurance Corporation (LIC) can expect only a marginal relief against inflation on their investments in these policies. The Union Finance Minister, Mr R. Venkataraman, has ruled out, at the last week's meeting of Parliament's Consultative Committee attached to his Ministry, inflation-indexation of LIC policies on the ground that it is not possible in one sector. Inflation-indexation, he has stressed, is not a feasible proposition on the broader plane as well. Budgetary considerations, Mr Venkataraman has observed, too do not permit the acceptance of the recommendations of the Era Sezhiyan Committee for reducing LIC investments in Government securities from the present level of 50 per cent to 40 per cent and cutting down Government's share in LIC polices.

What then will make possible marginal relief ? It will accrue on two scores. First, the Government has recently decided to improve to some extent the return on new LIC investments in socially-oriented schemes. The interest rates on such investments have been raised by three per cent to around 10 per cent. Second, the actuarial exercises may help reduce premium rates in view of the increasing life expectancy.

Safety Consideration

The Finance Minister has stressed that any large increase in the overall return on LIC's total investments is not possible for a major proportion of investments is in long-term securities bought at a time when interest rates were low. While the return on new investments is being stepped up to yield some more revenue to LIC, reorganisation of LIC's entire investment portfolio is not feasible in a short period. The desire for better return, he has emphasised, has also to be tempered by the needs for liquidity and safety of investments.

Mr Venkataraman informed the Consultative Committee that the decision to split LIC into smaller units had been taken after considerable deliberations. It, therefore, was to be pushed through. A bill to this effect is proposed to be introduced during the budget session of Parliament. A "substantial element of competition" among the reorganised units is to be allowed: full-blooded competition will not be possible. This issue is under the active consideration of the Finance Ministry.

Ths Finance Minister disclosed that greater interest was being shown by both LIC and General Insurance Corporation (GIC) in extending insurance cover to the rural areas. Special policies to cater for the needs of the rural people had been drawn up by GIC either on its own or in cooperation with some State Governments. Under its Janata personal accident policy, GIC is providing insurance cover against accidents both in urban and rural areas for Rs 15,000 in case of death at an annual premium of Rs 12. Under the Gramin accident policy, insurance cover is available in the rural areas to the tune of Rs 6,000 on an annual premium of Rs 5 only.

Special policies have been drawn up for the rural folk by three subsidiaries of GIC, namely, New India Assurance, National Assurance and Oriental Fire and General Insurance in collaboration with the State Governments of Bihar and Andhra Pradesh. The Bihar policy provides cover for Rs 2,000 at a premium of Rs 1.38 only to persons within the age group 16 to 65 years. One crore persons are proposed to be covered by this policy by New India and National Assurance in the near future. In Andhra Pradesh, Rs 2,000 cover is being made available to the hut-dwellers in all the municipal areas of the State at a premium of Rs 4.20 per head. Insurance is against fire, riot, natural calamities, etc. Fifty per cent of the premium is payable by hut-owners and the remainder 50 per cent by the State Government.

Mr Venkataraman revealed that during 1980-81 LIC had opened 22 branches in the hitherto uncovered districts. The GIC had opened 23 new branches. Both these branch expansion programmes were designed to spread insurance network in the countryside.

Containerisation at Madras Port

S. Viswanathan writes from Madras

THE YEAR long celebrations of the centenary of the founding of the Madras Port had its finale in an International Marine Equipment Exhibition and Boat Show organised from December 5 to 20, 1981. The first of its kind organised in India with the participation of over 60 firms, both Indian and foreign, the exhibition provided a glimpse of some of the recent advances in ship building, ship repairing and port and marine engineering.

Madras Port Trust set the trend for familiarisation with the vast advances that have been taking place the world over in handling and transportation of cargo for international trade. The centenary celebrations began earlier this year with a three day International Maritime Conference on "Marine and Port Technologies—a look into the future". It was able to get the participation of some 500 delegates including some 150 experts from abroad. Thus holding of the international marine equipment exhibition wherein were displayed some of the latest equipments in the port engineering and cargo handling such as containers was a continuation of the attempt to catch up with modern trends. The exhibition also provided an opportunity to the numerous engineering units in and around Madras to explore the possibilities for meeting the requirements of Navy, merchant shipping and ports of several of their requirements.

It should, however, be admitted that there has not been a steady and growing commitment on the part of the Government to tackle problems relating to port development. A good deal of ad hocism and a certain groping in the dark seem to characterise action in this vital field. Till about five years ago, port development had largely proceeded on the basis of meeting the large volume of imported goods such as foodgrains, petroleum products, fertilisers and the like and major export items like iron ore. Substantial sums had been invested on creating facilities for handling ships designated for specific commodities like iron ore or crude. The tapering off of food imports since mid-seventies which averaged around 5 million tonnes a year for nearly two decades did create some problems to some of these ports. The static state of iron ore exports—at around 22 million tonnes—to handle which enormous amounts had been spent at Visakhapatnam, Madras and Marmugao, and the over-dependence on a few buyers notably Japan also meant a certain lopsidedness in the creation of facilities.

In his address at the Port Centenary Function, the Union Minister for Shipping and Transport, Mr Veerendra Patil, referred to the decline in the share of national tonnage in the carriage of foreign trade from over 40 per cent to nearly 31 per cent in the last few years.

Ports have the problem of adjustment, at very short notices, to quick changes in the composition of foreign trade. The preoccupation in the past with handling a few commodities for import and export denied many of them the required resources for taking to modernisation of facilities that will improve the turn-round of ships. Lack of coordination seemed to persist between efforts on the one hand to achieve a rapid and very substantial increase in the export of non-traditional goods and the slow improvement in the facilities to handle requirements in this regard. For instance, the Engineering Export Promotion Council has drawn up an ambitious programme of 10-fold expansion of exports of engineering goods from around Rs 1000 crores now to Rs 10,000 crores by the end of this decade.

Inadequate Facilities

Exporters of engineering goods complain that facilities available at the ports are found inadequate to handle even the present modest volume of exports. There is, therefore, considerable scepticism on their part over the ability of these agencies to handle this ambitious volume, which would demand rapid expansion of port and shipping facilities.

There is over-concentration in Bombay. The riverine port of Calcutta has its own problem of draft. Visakhapatnam has got cluttered up, with the town already showing signs of extreme congestion. No wonder that Madras has received attention for modernisation.

The traffic handled by Madras was a little over 2 million tonnes in 1951-52. In the next 10 years it grew to 3.5 million tonnes; by the end of last decade, the port handled 6.6 million tonnes. The big jump in foodgrain traffic enabled the port to handle a little over 5 million tonnes of import cargo alone in 1975-76. There had been a steady improvement in iron ore which had been maintained between 2 and 3 million tonnes. The year 1980-81 proved to be favourable when the

Port handled 10.45 million tonnes of cargo which comprised 6.5 million tonnes of imports and 3.96 million tonnes of exports. Madras has been a substantial gainer of the congestion at the Bombay Port which caused the diversion of several ships to Madras. The centenary year has helped the port set up a record in handling traffic, averaging about a million tonnes a month.

This vast improvement in the cargo handled has also contributed to a big jump in revenues. In 1980-81, the port earned a gross revenue of Rs 44 crores. Happily the operations have been strife-free. Chairman V. Selvaraj, apart from launching on a vigorous publicity drive in the centenary year, also laid sufficient emphasis in ensuring cordial industrial relations. This is of considerable importance when viewed against the fact that the port directly employs some 12000 persons apart from utilising the services of around 600 employed by the Dock Labour Board, Food Corporation of India and other connected agencies. Though the productivity is considered better than that obtaining in several other ports, exporters and importers have genuine grouse over its low levels.

Sizable Surpluses

The port authorities have successfully pressed the case for taking to a quick expansion and modernisation of the facilities. The ability of the port to generate sizable surpluses has helped it embark on an expansion programme designed to improve facilities, costing Rs 54 crores, during the Sixth Plan. Apart from this, the port has succeeded in enlisting the cooperation of several user industries such as the Agricultural Ministry, the Ministry of Petroleum and Chemicals and the like for creating special facilities to meet their specific requirements. The expenditure on such schemes launched in the centenary year will add up to a handsome Rs 100 crores.

By far the most interesting expansion taken up by the port relates to its catching up with the modern trend of containerisation. The port estimates that nearly 80 per cent of the country's break bulk cargo is containerisable. Even bulk cargo like fertilisers and mica could be containerised. The port is preparing the Bharati Dock which is having a draft of 46 ft. to handle container traffic. There are plans to construct a full-fledged container terminal with ship-to-shore container quay crane and supporting equipments and infrastructure at an estimated cost of around Rs 28 crores, in two stages. In stage I, the port will acquire container handling equipment, top lift trucks, transfer cranes, fork-lift trucks, tractors and trailers... It is also constructing a large container freight station. In the second stage, a full-fledged container terminal capable of accommodating modern container ships will be constructed. This terminal is expected to be ready by March 1983.

The programme is ambitious. The target is to handle 100,000 containers in a year which will help the port catch up with modern trends in speedy transportation of cargo.

And Madras is ideally suited to this type of modernisation. The volume of general export cargo handled by the port at around 2.6 million tonnes last year was only slightly lower than the 2.82 million tonnes handled by Bombay and very much larger than the 1.43 million tonnes of such cargo handled by Calcutta. Since Bombay is already over-congested and Calcutta has serious limitations of draft, Madras lends itself ideal for development as a container terminal port. The Association of Engineering Industry has suggested the development of the port as a terminal for large sized container vessels and feels that feeder services can be organised from this port to Calcutta, Chittagong and even Rangoon.

Ashok Mitra and RBI

R. J. Venkateswaran writes from Calcutta

DR ASHOK Mitra recently criticised the Reserve Bank of India severely on three counts, namely, for over-estimating West Bengal's overdraft amount, for not giving representation to the State on the RBI's local advisory board, and for not replying to the State Government's repeated requests for permission to set up a bank of its own.

Dr Mitra told newsmen in Calcutta on December 14 that the RBI' figures on West Bengal's overdrafts had not been correctly calculated because of the dislocation in the working of its Calcutta branch for about eight months. But the Reserve Bank Governor, Dr I.G. Patel, said in Calcutta on December 15 that the misunderstanding between the State Government and the RBI related only to the figures during the four-month period ending August 1981. He disclosed that West Bengal's overdraft amounted to Rs 210 crores as on December 14, 1981. The figures for some other States on the same date were: Rajasthan Rs 225 crores, Punjab Rs 102 crores, Madhya Pradesh Rs 50 crores and Kerala Rs 38 crores. Dr Patel added that the authorised drawing limit for West Bengal was only Rs 23.75 crores. He explained that the figure of Rs 210 crores had been reached after checking the daily receipts and credits of the State Government and that the latter was welcome to check the RBI's books of accounts if it felt that it was exaggerated. Whatever may be the actual figure, there is an imperative need on the part of the West Bengal Government and of other State Governments as well, to exercise stricter control on non-development expenditure and to augment revenue by well-conceived measures.

Dr Mitra's plea for representation being given to West Bengal on the local advisory board of the RBI does not seem to be convincing. The boards are constituted on a regional basis and so if West Bengal is to be given a seat there the other States of the eastern region also should be given this privilege. This will make the board unwieldy. In any case, the board is merely an advisory body and the State Governments are unlikely to derive much benefit from being given representation on it. There are many advisory bodies set up by the Government of India to discuss problems relating to industrial development, foreign trade, direct taxes, customs, excise and so on. Are State Governments represented on all these bodies ? Incidentally, how does the Government of West Bengal maintain liaison with the nationalised banks whose efficient working should be of great importance to the State's economic development ?

Dr Mitra complained that since January 1981, the West Bengal Government had sent five reminders to the RBI about its proposal to set up its own bank but no reply had been received. The State Government may continue to pursue this matter with the RBI. But what should cause greater concern to West Bengal is the deterioration in the customer service of the nationalised banks. The Deputy Governor of the Reserve Bank, Mr P.R. Nangia, in his address to the conference of O & M practitioners in banking and the Indian Banks Association, held in Calcutta on December 14, strongly urged the need for the adoption of electronic machines and computers to improve the working of banks. He said that the banking system was confronted with problems which could not be handled efficiently merely by augmenting human resources. He pointed out that the volume of work had already created severe strains on the system and that it was almost reaching the breaking level.

Use of Computers

What will be the attitude of the Government of West Bengal to the move to introduce computers in the banking system ? The Union Commerce Minister, Mr Pranab Mukherjee, said in the Lok Sabha recently that his Ministry was unable to compile up-to-date data on foreign trade because the West Bengal Government opposed the adoption of computerisation in the office of the Director-General of Commercial Intelligence and Statistics, located in Calcutta. Therefore, it is pertinent to ask to what extent the West Bengal Government will cooperate with the Reserve Bank in encouraging the use of electronic machines in banks.

Meanwhile, what steps are being taken by the Government of West Bengal to check the rising trend in bank robberies ? UNI reported on December 16 that West Bengal topped the list of bank robberies committed in the country between April and October 1981. Of the total 26 robberies, West Bengal's share was nine involving a cash amount of Rs 19.57 lakhs and gold ornaments worth over Rs 15 lakhs. In the subsequent months also, there have been more bank robberies in West Bengal. The State Government therefore should take more effective measures to create a climate congenial to the expansion of banking services.

The Tedious Triumvirate

In his annual statement of the Associated Cement Companies Ltd for 1980-81, issued a few days ago, the chairman, Mr N.A. Palkhivala, reiterated the acute hardship faced by the cement industry in increasing production due to the severe infrastructural constraints. "Each year", he said, "I catalogue the infrastructural woes that beset the cement industry", and pointed out that "unfailingly, it is the tedious triumvirate of coal, power and transport which holds our production plans in thrall". Mr Palkhivala has not merely repeated the well known complaints about the availability of essential inputs. He has also referred to some new developments. For instance, he has warned that "we are fast moving to a stage when quality cement will no longer be produced in many units of the industry". This is likely to happen because of the bad quality of coal. Mr Palkhivala said that "while the industry's major grouse is the non-availability of coal, its abysmal quality is another inhibiting factor". He added that "only human ingenuity, nudged by despair, has been able to sustain the poor level of production".

Ever since the nationalisation of the coal industry, consumers have been bitterly complaining about the deterioration in quality. Many major industries including steel, power plants, cement and textiles have drawn the attention of the Government to the serious operational problems created by the supply of bad quality coal. The Coal Consumers Association of India, in a representation to the Union Energy Ministry submitted in September 1981, said that the steps adopted by the Government for improving the quality of coal, such as selective crushing facilities and screening arrangements, joint sampling at the institutional level, shale picking procedure, regular inspection, and quality control cells, had not produced the desired results because these measures were "half-hearted". Mr Palkhivala's statement shows that the Government's attempts to provide consumers with the type of coal they need have hardly made any impact.

The Government of India has claimed that power generation in the country in April-September 1981 was higher by 14 per cent as compared to the corresponding period of the preceding year. But the availability of power for many industries continues to be inadequate and uncertain. Mr Palkhivala revealed that the Associated Cement Companies lost 5 lakh tonnes of cement production in 1980-81 on account of power shortage and he remarked that the outlook upto the end of the Sixth Plan continued to cause concern.

Railway Bottlenecks

The inability of the railways to move more coal has been another constraint on the expansion of the cement industry. Mr Palkhivala said that the coal requirement for the industry would be 10 million tonnes in 1984-85 for achieving the capacity of 45 million tonnes. But he feared that due to the deficiency in rail transport, the coal availability would probably be only 6.5 million tonnes which would peg down cement production to about 31 million tonnes, representing a capacity utilisation of 70 per cent in 1984-85.

The Cabinet Committee on Infrastructure, therefore, should keep a more careful watch on the performance of infrastructure with particular reference to coal, power and railways. There has to be more effective coordination not only among the economic ministries at the Centre but also between the latter and the State Governments. Mr Ghani Khan Chowdhury's admission in the Lok Sabha recently that not a single State Government had yet offered its comments on the report of the Rajadhyaksha Committee, submitted over two years ago, reveals to what extent, New Delhi has failed to evoke the co-operation of the State Governments even in dealing with a vital subject like power. The Government of India and the Planning Commission should review the Sixth Plan's targets and examine to what extent they are realistic in the context of the recent developments in the economy of India and the world. In whichever way the Plan targets are revised, the Commission should give far greater attention to improve the working of the triumvirate of coal, power and railways.

Ailing Hospitals

THE POLICE and the Vigilance Commission of West Bengal have recently started an investigation into complaints of corruption and other malpractices against several doctors, house staff, and other employees of Government hospitals. The charges relate to the misuse of essential drugs, mishandling of hospital equipment, and adoption of many kinds of irregular and unethical practices.

The Government has expressed concern at these developments because, apart from the harm and hardship caused to the patients, they put the Health Department to heavy loss. The budget estimates of the Department are upset and it becomes impossible to draw up programmes for expanding medical facilities in the State. According to a report in the *Statesman* of December 6, the corrupt practices include the prescriptiion of medicines outside the Government's drug catalogue with pecuniary motives, purchase of drugs from private firms in preference to the Government medical stores, and placing orders for medicines far in excess of the actual requirements.

What is even more shocking is that equipments like X-ray machines and electro-cardiograms are deliberately kept out of order, thereby forcing patients to hire them from outside sources. It was reported that in a certain hospital a portable X-ray machine, purchased at a cost of over Rs one lakh, become practically useless because it was allowed to remain idle for a long time. There have also been instances of hospital staff acting in collusion with medical shops with a view to earning more money.

Such practices have been going on for many years and it seems surprising indeed that the State Government has not been prompt in taking effective action. Nor has public opinion asserted itself against these shocking conditions. The Press also has failed to expose those who have been indulging in these activities with impunity.

The Vigilance Commission and the police, who are now enquiring into the charges, may succeed in identifying the guilty persons and the Government may take action against them. But the more important question relates to the steps to be adopted to prevent such scandals from occurring again. If the Government takes a serious view of these practices, it can certainly stop them. It remains to be seen to what extent the Government will be prepared to show firmness in restoring discipline in its hospitals.

The Government's efforts will have better prospects of succeeding provided the doctors offer their sincere cooperation. Whatever may be their grievances, there can be no excuse for their resorting to corrupt methods. One can understand the doctors' failure to give prompt and proper attention to some patients because of the lack of facilities or pressure of work but there can be no justification for organising regular rackets to make illegal gains.

In many other States also, the conditions in Government hospitals are far from satisfactory. Malpractices of various kinds do exist in many hospitals. The senior doctors in the country therefore should take serious notice of the corruption in hospitals. The annual conference of the Association of Physicians of India, to be held in New Delhi from 21st to 25th January, 1982, should consider this matter. The conference, which is to be attended by 1500 top physicians including specialists in various fields, should devote some attention to the measures for the improvement of conditions in hospitals and to the need for a code of conduct among the medical profession. The Sixth Five-year Plan has allotted Rs. 2831.05 crores for health and family welfare, of which Rs 1611.00 crores are for the Centre, and Rs. 1091.19 crores for the States and Rs. 128.86 crores for the Union Territories. Such a large expenditure can benefit the people only if there is discipline in hospitals and dedication among doctors.

Incidentally, it is worth noting that even in some advanced countries, doctors are not paragons of patience and integrity nor are hospitals free from undesirable practices. According to Mr John P Pekkanen, the author of the book, *The Best Doctors in the USA : A Guide to the Finest Specialists, Hospitals, and Health Centres*, "there is an enormous variation in the quality of medical care in this country and that variation can mean life and death". He says that "the quality of medical care varies not only from one hospital to the next but considerably within the same hospital, depending on your doctor".

Performing operations which are wholly unnecessary is common in many developed countries. There is the story of a surgeon who, on returning home after doing an operation, was asked by his wife whether it was successful. He replied that he did the operation at the right time. He added that if he had delayed it by a few hours, the patient would have fully recovered without the operation.

Industrial Giants : Growth in Assets

THE THIRTY years to 1980 witnessed nearly 45 per cent growth in the value of the assets of the large industrial houses in the country. Revealing this in the Lok Sabha last week, the Minister for Law, Justice and Company Affairs, Mr Shiv Shanker stated in reply to a question that the fastest growth had taken place in the assets of the Sarabhai group, followed by ICI and ACC, Thapars, J.K. Singhania, Mafatlals, Tatas, Bangur, Birlas and

Larsen and Toubro. The increase in the assets (in money terms) of the top ten industrial houses had been as follows :

Industrial House	Assets 1980-end (Rs crores)	Increase over 1977 (percentage)
Tata	1538.97	44
Birla	1431.99	34
Mafatlal	427.54	50
J. K. Singhania	412.72	54
Thapar	348.00	61
Sarabhai	317.94	132
ICI	343.01	63
ACC	274.51	63
Bangur	264.33	40
Larsen and Toubro	246.48	33

On the Sugar Front

THE DECISION of the Union Government to impose a cess up to Rs 10 per quintal on sugar production, with a view to raising funds for modernisation and rehabilitation of sugar factories, development of sugarcane and encouraging research, is an eloquent testimony to how these vital aspects of sugar industry have been neglected during the protracted era of rigorous controls. The pleas of the industry for allowing an element in controlled prices for modernisation and rehabilitation have been turned down in the past. Although some States like Uttar Pradesh had been levying cane development cess for quite long, the proceeds from it gradually came to be utilised for budgetary purposes. The situation has not improved materially under the partial decontrol of sugar prices as well as the takeover of sick units by the Government. The result has been that the old sugar mills, most of which are uneconomic with crushing capacity less than 1,250 tonnes per day, continue to be in serious trouble. Attempts invariably have been to just carry on their operations irrespective of the fact that their working has introduced no small distortions in sugar prices.

The serious thought that has been bestowed on the issue resulting in the above decision, thus, needs to be hailed. Two bills were introduced in the Lok Sabha last week, one for the levy of cess on sugar production and the other for creating a development fund from the proceeds of this cess to be disbursed by a committee of officials for the stipulated purposes. While the sugar cess bill authorises the Government to impose a cess by way of excise at a rate not exceeding Rs 10 per quintal on the entire factory sugar output, the cess is being imposed for the time being at the rate of Rs 5 a quintal. On an estimated production of around 6.7 million tonnes during the current crushing season, it is anticipated to yield Rs 32.5/35 crores. The five-rupee cess has already been taken into consideration while fixing the issue price of sugar for distribution through fair-price shops at Rs 365 per quintal with effect from November 15. The issue price was revised from Rs 350 a quintal during the last crushing season. The balance increase was affected to allow for increased production costs on various other counts.

Supplemental Efforts

The sugar development fund is to be created out of the accruals from the sugar cess, deducting, of course, the cost of collection. It will supplement the assistance available for modernisation and rehabilitation purposes under other schemes. The augmentation of these resources, thus, should help accelerate the modernisation and rehabilitation process over the coming years. Much, however, will depend on in-depth analysis unit-wise as the funds required are indisputably massive. Clear priorities will have to be fixed for modernisation and rehabilitation to begin with, of units which can be made viable expeditiously. Spreading of this assistance too thinly over a large number of units will serve no purpose. In fact, scrapping of some very old units and replacing them with modern mills should yield better results.

Meanwhile, the current crushing season has started on a promising note. Sugar output during October and November aggregated to 625,000 tonnes, as against 435,000 tonnes during the corresponding period last year. Although offtake in the two months for internal consumption has been higher at 717,000 tonnes, as against 608,000 tonnes in October and November last year, the closing stocks with the mills on November 30 was about 687,000 tonnes—an improvement of 263,000 tonnes over the stock on this day last year. No releases had been made for export upto November 30. Besides increased domestic production, the recent imports have contributed to the increase in stock.

Production normally picks up in December and the peak crushing season continues till March-end or mid-April. This is because the mills wait for the fully mature crop. The production trends upto November do evoke optimism about this year's output exceeding 6.5 million tonnes. This should enable exports being resumed shortly. The output last year aggregated to 5.143 million tonnes and in 1979-80 to 3.85 million tonnes.

Now that the Government has realised the imperativeness of expeditiously modernising the sugar industry, can it be hoped that serious thought will also be bestowed on the important issue of building up a buffer stock? The purpose of buffer-stocking, to some extent, is being served at present by the carry-over stock with the factories at the end of the sugar year. The industry has been clamouring for the creation of a buffer stock on Government account so that the interest burden on it (industry) as well as its credit requirements can be brought down. The clearance of cane payments too will get expedited if the buffer stock is maintained on Government account, even though the industry itself may be asked to handle it on Government account on payment of storage charges.

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Chief Executive

Window on the World

Will OPEC Become Obsolete?

New York

Sudhir Sen

AFTER TRYING strenuously, but futilely for two years at four OPEC sessions, Saudi Arabia succeeded, at least ostensibly, in achieving one of its primary goals. At a meeting of the cartel held in Geneva in the last week of October, a unified base price of $34 a barrel was unanimously agreed upon along with a freeze on it through 1982. This also paves the path to the Saudis' longer-range goals: to index the oil price to inflation and to raise it gradually in real terms, in keeping with the rate of growth of the world economy and fluctuation in the exchange rate of the dollar, the currency in which the cartel expresses its price. It is expected that the whole Saudi package will come up for formal approval at a high-level OPEC meeting before long, may be next spring, if not earlier. And it is a good bet that this time the other 12 members will fall in line without demur.

Sheikh Yamani has every reason to feel gratified. The oil glut, he predicts, will diappear by the second quarter of 1982. By then, the world economy, too, should begin to recover, which will nudge the demand for oil. Mr Yamani hopes that his long-term pricing strategy would be a *fait accompli* by that time. This would forestall "sharp increases" in the price of oil which would go up only gradually and "by small amounts".

The Moot Point

How realistic is Mr Yamani's plan? Will the new base price of $34 per barrel hold? Or, will world market forces push it down despite his strategy to index it to inflation, world economic growth and the dollar's exchange rate? That it would ideally suit Saudi Arabia goes without saying. Given its enormous reserves, its foremost concern is to ensure a steady market for its product and at a price that the traffic will bear so as to maximise its own oil revenues. But is $34 a realistic base price in today's conditions?

Given the wild behaviour of OPEC prices in the last few years and the havoc they have wrought to the world economy, major oil-consuming nations would probably welcome the Yamani plea with a sigh of relief. But there are contrarians whose Cassandra-like voices are easily drowned in the noisy unfolding of the OPEC drama. One of the outstanding contrarians is Henry L. Wojtyala, an economist at the well-known brokerage firm Rosenkrantz, Ehrenkrantz, Lyon and Roses of New York. A year and a half ago, Mr Wojtyla and his colleagues forecast an oil glut, which was then greeted with ridicule almost universally both by experts and laymen. However, when the glut become a reality, he suddenly became a kind of a hero for his forecasting ability. More people in the financial and business community now pay more serious attention to his views.

Open Letter

On the invitation of the Ralph Bunche Institute of the United Nations, Mr Wojtyla recently gave a talk on "Energy Prospects: Glut or Shortage" (Nov. 25). As it happened, his talk centred on an Open Letter he had just addressed to His Excellency Sheikh Ahmed Zaki Yamani, urging him to lower the crude price "quickly" to $26 a barrel to avert "certain economic disaster" to the OPEC countries, as well as "dire consequences" for the international financial structure, political instability in the Middle East, and "economic distruptions" in the industrial countries. Should even this lower price prove inadequate, further "downward adjustments" might be made later.

The letter is loaded with statistics, all purporting to show how the energy production and consumption patterns developing since the first big OPEC price increases of 1973-75 have been working against the cartel, and why, if these trends are not reversed, the next five years "will witness the certain destruction of OPEC and much else with it." Since it is hard to summarise the statistics used by Mr Wojtyla, only a few basic data are cited below to indicate his line of reasoning:

Conservation Effort

In the USA: Conservation of energy continues unabated. It has reduced energy demand by 2.3 per cent a year for the last nine years. Total consumption in 1982 will be slightly below the 1973 level, although real GNP has grown two per cent a year. Prior to the leaps in oil price, growth in energy demand used to match the GNP growth.

Non-oil energy (e.g., coal and gas) is reducing oil use by 1.3 per cent a year; the trend is quite marked among residential and commercial users of energy, and electric utilities. The mileage run by the average auto per gallon of oil, which was only 13.1 miles in 1973, has been going up, and the trend should be accelerated in the coming years.

Thanks to higher energy prices, the decline in US energy output has been reversed. During 1970-75 the output dropped 4 per cent; since then it has been rising 1.3 per cent a year. In 1982, oil imports should be down 32 per cent compared with 1973, giving an average annual decline of 4.4 per cent.

Since 1973, prices of both crude oil and natural gas have gone up 8.4 times—the former from $3.89 to $32.50 a barrel, the latter from $1.81 to $21.06 per mcf. This strong price incentive will further step up the growth rate of domestic output in the next five years.

By 1987, oil imports should drop to less than half of their 1982 level. And by then, US exports of energy, chiefly coal, should exceed US imports of energy, chiefly oil.

In the World: If the changes brought about by the rocketing oil prices have been spectacular in the USA (the price of Saudi light crude rose 18.9 times from $1.80 a barrel in 1970 to $34 a barrel in November 1981), its global impact has been no less dramatic.

The growth rate of energy consumption has been receding; worldwide (excluding the "communist" countries), the annual growth has been curtailed by 2.7 per cent while real GNP has been going up by 3.5 per cent. Non-oil energy production has been rising 4.2 per cent a year; and non-OPEC oil production has been advancing at a fast clip of 8.5 per cent a year, having doubled from 5.5 million bds in 1973 to 10.5 million bds in 1981, and is expected to rise to 11.5 bds next year.

Exports Drop

As a result of these factors, OPEC oil exports have dropped from 30 million bds in 1973 to 20 million bds this year and is supposed to go down further to 15 million bds next year. OPEC's share of the "non-communist" world energy market has fallen from 35 per cent to 17 per cent in nine years.

The trends are "not abating". Even if the world economy recovers and grows four per cent a year for the next five years, OPEC exports would still be down to 9 million bds in 1987—or an average of 10 per cent a year. Should the world economy grow only by 2 per cent or 3 per cent in real terms, OPEC exports "could drop to nothing".

There is a worldwide surplus capacity for energy production—oil, gas and coal—and the surplus is growing every month and will continue to do so as long as the "real price" of oil remains so high relative to the price of other commodities. The law of supply and demand is now working inexorably against oil.

Oil Reserves: *Proved* oil reserves of the world were placed at 418 billion barrels in 1967. Cumulative production in the last 15 years amounted to 290 billion barrels. Yet, the reserves today are put at 655 billion barrels. In 1967, at the then prevailing rate of production, the reserves were supposed to last 31 years. Today, at a much higher rate of drawdown, they are expected to last 32 years.

Total Reserves

Total oil reserves, *proved* and *unproved*, were estimated at 2.5 trillion barrels; 500 billion barrels have been "used up" in the last 15 years; this plus the proved reserved of 655 billion barrels, leaves a balance of 1.4 trillion barrels of unproved reserves, equivalent to another 64 years of consumption at the current rate. How much of it will be eventually proved is of course unknown at this stage.

Other Energy Reserves: There are 2 trillion barrels locked in the *oil shale* in Colorado, and trillions of barrels in the oil shale of Morocco and the *tar sands* of Canada, the Orinoco basin of Venezuela, and elsewhere.

World *coal* reserves, already proved, should last for hundreds of years "at well below current oil equivalent prices and well above current rates of output". Proved reserves of natural gas are today placed at 2744 trillion cubic feet, equivalent to 47 years supply at the current rate. As high price continues to spur exploration, discoveries of large new reserves are a good bet. Nor should one overlook that over 6 trillion cubic feet are "flared", or burnt as waste, every year.

Oil Reserves: OPEC's current account surplus amounted to $111 billion in 1980. This year it should be 50 to 60 billion dollars with the annual rate down to $20-30 billion by year-end. Next year there would be a *deficit* of $40 billion, and in 1983 it would go up even higher despite sharp cutbacks of imports. *Even Saudi Arabia will show a current account deficit.*

Mr Wojtyla's thesis, sensational though it seems, is well-argued and cannot be dismissed off-hand. (It would be intersting to see Mr Yamani's response, if he reacts to it at all.) Nonetheless, it calls for several caveats which can only be briefly noted here. First, straight-line projections based on recent trends is not a very meaningful exercise, especially when they may be easily thrown off-course by the imponderables inherent in the turbulent Middle East. Second, the unconscionably high interest rates of the last two years have been a major factor in the world economy. But for this, economic growth, both in the USA and abroad, would have been higher and with it also the demand for oil despite the on-going conservation. Third, the price of most natural gas in the USA is still controlled, and control has kept it artificially low—at about one-half of its oil-equivalent price. This, rather than conservation, explains much of the recent switch from oil to gas. Once natural gas is fully decontrolled, may be in the next year or two, this fortuitous stimulus to substitute gas for oil will disappear.

Cost of Exploration

Fourth, inflation is still continuing at a relatively high rate—of close to 10 per cent. The oil price frozen at $34 a barrel will therefore reflect an appreciable decline in real terms. Inflation also boosts the cost of exploration and development of new energy sources—oil and natural gas, also oil shale, tar sands, coal, and what not. In today's conditions the marginal cost of new energy development from whatever source, when measured in terms of its BTU value, may not be lower than $34 a barrel. Indeed, this has been the implicit assumption of Mr Yamani.

This leads up to the final point. Mr Wojtyla wants the oil price to be lowered immediately by $8 a barrel in order to forestall a grim scenario. Mr Yamani may very well argue that he has already done so by bringing down some of the runaway prices from $40-$42 a barrel to $34 and freezing it at that level. In short, what Mr Wojtyla wants him to do with a price of $26 a barrel, Mr Yamani evidently wants to do with a price of $34 a barrel, that is: watch the supply-demand situation, growth of the world economy, cost of alternative energy sources, and then make whatever adjustments may be deemed necessary, not only in the price but also in Saudi Arabia's own production level. Mr Yamani evidently thinks that his base price roughly represents the "equilibrium price" of oil, that is, its replacement cost, and is therefore fair, realistic, and sustainable. It would, to say the least, be premature to give a verdict against it, notwithstanding Mr Woj-tyla's strenuous pleadings to that effect.

Monetarism on the Way Out

V. R. Bhatt London

DOGMATIC MONETARISM is on the way out in the developed countries in Europe and the Americas which had hoped to cure their economic ills of growing inflation and declining output by the rigid application of a doctrine which has proved to be in economics what fundamentalist fanaticism is in religion. Inspired largely by the Nobel Prize winner Milton Friedman of the Chicago School of Economics, it was first tried out under his guidance in Chile after the country's takeover by a military junta and later by the rightwing dictatorship of Argentina. After some initial success in curbing inflation these two countries find themselves in such serious economic situation that they are searching for alternative strategies. Dr Friedman who recently visited the two countries under the cloak of protective secrecy reportedly could not explain why his dogma had failed.

The more publicised failings of the doctrine which curiously is based on rightwing politics, are becoming palpably evident in Britain after 2½ years of the Thatcher Government's implementation of it. But it has taken only 12 months in the USA to demonstrate its inefficiency.

The remarkable change that is occuring in the latter two open democracies is the frank admission, by their top economists, some of them monetarists who had encouraged and advised the Governments, that monetarism as practised by the Reagan and Thatcher Governments has no intellectual basis and is a doubtful method to control inflation and revive the economy. Mrs Thatcher had claimed —and since has stuck to her guns—that inflation could automatically be controlled by controlling the money supply through massive cuts in public expenditure which combined with incentives in tax cuts and market forces would create sound money and economic revival. The Reagan Administration while reiterating that they are not following Thatcherism (a defensive tactic because of its failure in Britain) has nevertheless pursued similar means and objectives. The economic consequences in both countries have been devastating.

Mrs Thatcher made one cut in income tax in her first year of office but her Chancellor of the Exchequer Sir Geoffrey Howe's repeated doses of indirect taxes have in fact increased the tax burden on the majority of the people, the workers and the lower middle class. According to Government's own figures, a married man with two children pays six per cent more in taxes since it took office in 1979 while a single person has to pay half of his gross income in direct and indirect taxes. Mrs Thatcher has brought about the opposite of her pledge to reduce taxation. The rises in direct taxation have also added several points to the inflation rate.

The widespread cuts in Central and local Government spending have not succeeded in controlling the money supply which has actually gone up. These cuts meant extensive redundancies in the civil service, educational and health services and municipal operations. The private sector has been hit even harder as the policy of keeping interest rates high (as one of the measures to control the expansion of the credit money supply) and the pound strong (to reduce the prices of imports) has resulted in thousands of businesses and factories going into liquidation and the bankruptcy rate doubling and hundreds of thousands thrown out of jobs. The unemployed hovering round 3 million (10 per cent of the work force) have to be supported by unemployment benefits which comes from State funds. The unemployed pay no direct tax so that Government loses both ways paying unemployment doles and losing revenue from taxes on incomes.

The incentive part of the strategy has also not worked. The initial cuts in income tax have been overtaken by indirect taxes and massive increases in public sector prices for gas, electricity, railways, medical and educational charges and rates. Those in the top bracket of incomes who benefited most from income tax cuts have been attracted by the high interest rates to put their money in bank or other financial deposits rather than in risk capital. The lifting of all exchange controls has encouraged a torrent of British money to seek more remunerative investments abroad, in some sectors of US industry, in Japan, Hongkong, South Korea and Taiwan. Another aspect of the monetarist policy is to contract the role of the public sector which has led to profitable parts of it like telecommunications and other State industries to be sold which has meant raising the prices or charges for the remaining less profitable units.

Continuing Decline

Although Reaganomics have been in operation for less than a year, all official indications in Washington are that the USA is sinking deeper into the recession. Wall Street and *Wall Street Journal* estimates, confirmed by official indices, reveal a steady and continuing decline of the economy, falling car retail sales and factory orders and closing of plants and a rapid rise in unemployment which rose by half a million in October and November. The socially damaging aspect of this as in the UK is that 21.8 per cent of the unemployed are school leavers. The Federal Reserve has reported successive slump in output for the last four months, the figures for October and November being 1.8 and 2.1 per cent. The drop in economic activity which the Reagan Administration had said could be held to 3 per cent in the final quarter of this year is now expected to be 5 to 7 per cent. Most experts take this to mean that the downfall will continue next year with no agreement when the economy will turn.

There are other clear pointers to the

failure of Reaganomics. The Budget deficit (which is the measure of public borrowing requirements and the expansion of the money supply) is soaring up and up and according to Wall Street forecasts will at least be $70 billion to $100 billion this year. The official estimates now are $109 billion 1982, 152 billion 1983 and 162 billion in 1984. The trade deficit increased to 5.27 billion in October to bring it in the ten months of 1981 to $33.99 billion compared with $31.29 billion in the same period last year.

Deepening Recession

Since President Reagan has so far stood firmly against tax increases to reduce the budget deficit, the inevitable result will be to force up American interest rates as Government borrowing requirements grow. This would mean more and more international money flooding to the USA compelling West European countries to maintain competitive interest rates with their damaging impact on the private sector and consumer demand. The USA apart from being the biggest economy in the world is also the biggest consumerist society and its sinking into deeper recession would sharply reduce imports at a time when the collapse of the Polish economy and the recession in Eastern Europe reduce their imports.

In both countries many previous champions of the Friedman brand of monetarism are acknowledging that it has not only not worked but inflicted serious damage to the economy. The foremost British Economic Adviser to Mrs Thatcher, Dr Alan Budd, budgetary expert of the London University has confessed that the Thatcherist application has gone wrong because it boosted interest rates and the value of sterling. Three top British economists, Prof Brian Hopkins a former Chief Economic Adviser to Government and two Cambridge Professors, have in a 27-page statement given a detailed analysis of why Thatcherism has failed and also proposed a 6.8 billion pounds reflation to revive the economy. (In April 364 British University economists including a majority of Chief Economic Advisers since the war had denounced the Government's economic policies.) The package calls for a cut of 2½ per cent in VAT from the current 15 per cent, 6½ per cent devaluation of sterling and the abolition of the employers' national insurance surcharge which they call a tax on jobs. They also want public sector industry price rises (which in some cases have doubled in the last 2½ years) to be reduced. All of this will mean reflation of the order they have recommended. They estimate this will create 480,000 jobs, raise output by 3 per cent and reduce inflation by 2½ per cent. They have received strong support in the country including from some sections of the Conservative Party.

A major part of the American economic establishment not to mention Wall Street has written off Reaganomics as at present applied. In an interview with the London *Daily Mirror* Industrial Editor, J.K. Galbraith doyen of American economists has said that "monetarist economics will not succeed and will not last long. "When it comes to economics Ronald Reagan will believe almost anything. And I am told that he even thinks Mrs Thatcher's economics are a contribution to progressive thinking in the world! Here in the USA there is not the Calvinistic conviction that lies behind Mrs Thatcher. Disenchantment has already set in Washington. There is a great conflict between the monetarists and the others. They are at each others throats."

Unwise Step

Galbraith recently congratulated Friedman (whom he calls his good friend) on his "theories providing a kind of moral intellectual justification for the rich". He believes that the only way the monetarist theories can be operated is by high unemployment and low growth. He warns that the social tranquility that followed the years after the second world war was an aspect of economic growth. "We have sustained and tolerated capitalism because we have softened its rough edges. To retreat on that will be extremely unwise."

What comes out from these developments and debate is that something has to be done particularly in the USA to reverse the slide into recession and the social disaster of ever growing youth and adult unemployment. The consensus that is taking shape is a carefully planned reflation and the removal of restraints on revival such as high interest rates, and the creation of new jobs. Failure to do so would make 1982 even more disastrous economically.

Problems of German-Soviet Trade

WEST GERMAN-SOVIET trade has always had the same handicap; the Soviet Union cannot supply what the Germans need and cannot pay for the German goods it needs. Trade between the two began rising steadily in the 1950s but remained negligible in relation to West Germany's foreign trade volume. In the mid 1960s, Germany's imports from the Soviet Union amounted to about DM 1 bn. Exports did not exceed the DM 1 bn mark until three years later. The Soviet Union's share in that country's overall foreign trade thus remained below one per cent.

It was not until the era of detente that the concept of limited cooperation that had governed German-Soviet trade relations since 1950 was abandoned in favour of normal economic relations in terms of international law, and it was then that West German exports to the USSR started growing. A network of treaties and agreements in the 1970s and the liberalisation of trade relations in their wake made it easier for the Soviet Union to export to that country.

By the same token, German companies, benefiting from the Government's promotion and guarantees, were able to develop their business with Moscow. The preconditions for a boom in trade were thus created. Exports rose by an annual average of more than DM 1 bn to DM 69 bn between 1970 and 1975, increasing the Soviet Union's share of German exports to three per cent. But this growth was one-sided. During the same period, the Soviet deficit with the Federal Republic of Germany rose by an average of DM 1.5 bn a year although the terms of trade shifted in favour of the Soviet Union due to the energy price increases.

To offset this, the Soviets put curbs on German imports, which stagnated until 1980. The euphoria that marked German-Soviet trade relations in the early 1970s has given way to the realisation that trade between the two does not depend on goodwill alone. The difficulties are fundamental. The Soviet Union's investment policy (like those of all other countries with centrally controlled economies) largely disregards foreign trade requirements. Central planning calls for the standardisation of products, which makes them unsuitable for Western markets.

Russia would like to sell machinery on a large scale but German quality standards are too high. There is little general industrialisation because the Soviet Union's industrial growth, due to the system, goes for bulk production rather than quality. This is why Moscow wants mammoth programmes and orders, and this in turn makes it difficult for small German companies to benefit from the trade. The composition of its trading goods shows how limited the Soviet Union's export potential is—and it is on this that the further development of German trade depends. Though official figures for 1980 show that 65.5 per cent of Soviet exports to West Germany consisted of semi-finished products and 22.7 per cent of raw materials, the dominant element in these semi-finished products were oil-based goods. Finished products accounted for only nine per cent of Soviet exports compared with 86.8 per cent in Germany's exports to the Soviet Union.

The Pakistan Economy

How is Pakistan doing economically ? Quite well, suggests the latest available data. Although Pakistan has not developed along as broad a front as India has, its per capita income at Rs 3,331 in 1980-81 is substantially higher. Its population at 83.78 million has grown about as rapidly, but the density per square kilometer is only 105. The literacy rate in 1980 was 24 per cent for the whole of Pakistan and 45 and 15.5 per cent for urban and rural areas respectively.

TABLE II

Foreign Trade of Pakistan : 1980-81

Exports of Selected Commodities (July-June)		Imports of Selected Commodities (July-May)	
Commodities	Value (M. Rs.)	Commodities	Value (M. Rs.)
Rice	5,519.6	Wheat (un-milled)	465.8
Raw cotton	5,203.4	Tea	1,106.6
Cotton yarn	2,028.8	Petroleum Products	13,903.9
Cotton cloth	2,339.0	Edible Oils	2,402.2
Fish & Fish Preparations	560.3	Chemical Fertilisers	3,518.1
Carpets & Rugs	2,175.9	Dairy Products	348.9
Leather	859.5	Total Selected Imports	21,745.5
Total of Selected Commodities	18,686.5	Percentage of total Import	44.1
Percentage of total Exports	65.1		

In 1980-81 Pakistan produced 11.34 million tonnes of wheat (from 6.921 million hectares), 3.07 million tonnes of rice (from 1.92 million hectares), 0.72 million tonnes of cotton (from 2.10 million hectares) and surprisingly enough, 32 million tonnes of sugarcane (from 0.82 million hectares).

Pakistani industry is not at all broad based as can be seen from Table I.

TABLE I

Production of Selected Industrial Commodities

Cotton Yarn (Million kilogram)	375.7
Cotton Cloth (Sq. metres million)	309.00
Sugar (Tonnes thousand)	850.1
Vegetable Ghee (Tonnes thousand)	516.1
Cement (Tonnes thousand)	3,538.4
Mild Steel Product (Tonnes thousand)	493.9
Cigarettes (Nos. million)	38,831
Sulphuric Acid (Tonnes thousand)	56.9
Nitrogenous Fertilizer (Tonnes thousand)	594.7
Phosphatic Fertilizer (Tonnes thousand)	58.5

The railways too have not developed particularly dramatically. The route kilometres covered are 8,823 and the freight carried was just 10 million tonnes. It had only 997 locomotives in 1980-81 and a little over 36,000 freight wagons.

Social Services

On the social services side also the picture, while not being poor, is not very bright either. In 1980 there were 550 hospitals with 47,578 beds. The number of registered doctors was 21,694 against a tiny 9,667 nurses. This last detail is curious indeed.

Pakistan had deficit of Rs 25,069 million in 1980-81. Its pattern of trade is summarised in Table II above.

From this the vital role of foreign trade in the Pakistani economy becomes evident. It is also interesting to note that despite 34 years of independence there has not been any substantial change in the pattern of exports from Pakistan which remains biased in favour of traditional goods.

Sponsored Feature

Argentina—India's Good Friend and Trading Partner in Latin America

RECENTLY INDIA and Argentina signed an important trade agreement on the occasion of the visit of the Minister of Commerce, Steel and Mines, Mr Pranab Mukherjee to Argentina who also presided over a meeting of all the Indian Ambassadors in Latin America.

Despite the great leap in communications, due to the great geographical distance between the two nations, many positive aspects of such a far away land are not quite well known to the people of India. How does Argentina look like? What can India obtain there, and what can she supply?

In the first place, it is important to underline that the Argentinians have a great admiration and respect for India's age-old civilization and a deep interest in this millenary nation. The link created by the several months' stay in Argentina of Rabindranath Tagore way back in 1924 and strengthened by the visit of Prime Minister Mrs Indira Gandhi, still remains alive.

Buenos Aires, Argentina's capital city has the street "Republic of India", the school "Republic of India", the "Rabindranath Tagore Street" and a monument of Mahatma Gandhi. In the United Nations and other international forums the delegations of India and Argentina traditionally vote very closely on almost all issues. Like India, Argentina is also a full member of the non-aligned movement.

Argentina is a very extensive country with a total area of more than 4 million sq. kms. Its climate is temperate. It has plenty of rivers, some as wide as the River Plate which has a width of 30 miles in front of the Buenos Aires city. Her territory extends to the Antarctic continent, where for more than 75 years she has been having 12 permanent bases, Observatories etc.

With an area of almost 85 per cent of the territorial size of India, Argentina has only a population of 28 million, of which 10 million live in the capital city. 75 per cent of Argentina's population is urban. Illiteracy is only 6 per cent and per capita income is around 2800 dollars. It is self-sufficient in oil. It has one car for every 6 inhabitants, and one TV receiver for every three persons. In the capital city of Buenos Aires alone, there are 5 TV channels transmitting programmes in colour for 12 hours a day.

Argentina has attained a high cultural level, thanks to the policy of free and compulsory primary education and free secondary and university education followed by its Government over the years, enabling the Argentine Republic to have the highest ratio of schools to population in the world. This has enabled her to attain a very high standard in science and technology and four Argentinians have won Nobel Prizes. Her 150 radio stations, 39 TV channels with over 100 repeater stations, 454 newspapers (many dailies in foreign languages like English, French, Italian, Arabic, Armenian, Hebrew etc.) with a circulation of 3.2 million copies per day (for a population of 28 million) makes her inhabitants amongst the world's best informed.

Argentinians are keen sportsmen. Presently, Argentina is world football champion, and since 1923 in polo (having the only team in the world with all four players having a 10 goal handicap each). Her famous car racing driver Fanglo was world champion for five consecutive years and this year another Argentinian—Reutemann came second in the world championship. Other sports like boxing, ice hockey, golf, chess etc. are also highly popular. In tennis, Vilas and Clerc are amongst the 7 best in the world.

Over the years, Argentina has had a steady growth of its economy. For the comparatively long period from 1950 to 1979 Argentina had a 4 per cent per annum growth in its gross domestic product. The Economic Atlas of the World Bank estimates that Argentina has the 26th highest per capita income in the world which makes it one of the highest in Latin America

Agriculture:

Argentina is one of the few countries in the world which is self-sufficient in all agricultural and food products. Major crops and their production are given in the tables below.

Agriculture Sector	1979/1980
(In thou. metric tonnes)	
Wheat	8,100
Corn	6,410
Linseed	743
Rice	266
Grain Sorghum	2,960
Sunflower	1,505
Sugarcane	1,500
Grape and wine (total)	3,250
Cotton (Gross)	530
Tobacco	64
Tea	153
Orange	762
Apple	958
Pear	155
Wool	155
Beef	2,865

Livestock (thou. head)	1979/1980
Bovine Cattle	61,052
Sheep	35,012
Pigs	3,552
Horses	3,073

Between one third and two thirds of the agricultural production is exported annually depending on the level attained each year.

Argentina has a per capita annual consumption of 150 kgs of meat. Yet, it is the biggest exporter of this commodity.

Milk production reaches a total of 5,220 million litres. 2,250 million litres of milk is converted into cheese, butter and other derivatives.

Industry

Industry amounts to 38 per cent of the GNP.

Not only is Argentina self-sufficient in food, textiles, oil and wood products industries, but also in durable consumer goods such as refrigerators, television sets, cooking equipment, sewing machines, airconditioners, typewriters etc.

The most important sectors in the Argentine industry are metallurgical, manufacture of electrical and non-electrical machinery, motors and turbines, electrical and agricultural machinery and equipment.

Industrial Sector	Unit	1980
Oil	thou cu m	28,581.7
Natural Gas	million cu m	9,871.3
Petrol	thou cu m.	7,108.0
Diesel Oil	thou cu m	1 114.1
Gas Oil	thou cu m	7,518.9
Fuel Oil	thou cu m	7,720.1
Electric power	million kwh	85,735.6
Coal (Saleable)	thou tonnes	380.9
Portland Cement	thou tonnes	5,838.6
Primary Iron	thou tonnes	1,806.4
Crude Steel	thou tonnes	2,687.1
Rolled prod.	thou tonnes	2,566 9
Quebracho extract	thou tonnes	99.7
Wine	thou hl	23 301.0
Sugar	thou tonnes	1,280.1
Refrigerators	Units	220,535.1
TV Sets	Units	262,002.0
Motor Vehicles	Units	281,669.0
Tractors	Units	3,600.0
Cellulose paste	thou tonnes	423.1
Paper Cardboard	thou tonnes	448.9

Miscellaneous	1980
(In Units)	
Automotive Parts	4,818.490
TV Sets	8,400.000
Radio Sets	12,600,000
Cinemas	1,452
Threatres	1,983
Museums	422
Newspapers	350
Telephones	2,157.148

There are 4.9 million automobiles in Argentina. Different manufacturers of different national origins produce fully indigenous motor cars and trucks: Ford, Fiat, Peugeot, Renault, Mercedes and national models such as the Torino etc. Around 250,000 units are made yearly and some are also exported.

The country has a railway system which is the sixth most extensive in the world with active lines upto a length of 34,000 kms. The road network extends 1,004,000 kms of which 49,000 is paved.

Indo-Argentine Trade

Argentina is one of India's most important trading partners in Latin America. There are good prospects to further expand and diversify bilateral trade. That is the reason why the Minister of Commerce of India, Mr Pranab Mukherjce signed last July a trade agreement and other links are under consideration.

It is also with this object in view that an Indo-Argentine Chamber of Commerce is being constituted in New Delhi. There is already an Argentine-Asiatic Chamber of Commerce in Buenos Aires to promote trade between Argentina and the Asian countries.

There is also an India-Argentina Friendship Association at A. 16/7 Poorvi Marg, Vasant Vihar, New Delhi, which conducts classes to teach Spanish and arranges lectures on various aspects of Argentina.

The balance of trade fluctuates depending on imports of grains, edible oils and aluminium by India and jute exports to Argentina.

Other exports from Argentina to India consist of wool, tanning substances, cotton, iron and steel, statistical machines etc. Indian exports to Argentina include jute goods, shellac, opium, synthetic dyes. Lately, some new items have been added to this list. They are: garments, handicrafts, scooters cycle parts etc.

Foreign Trade

(In million dollars)

	1979	1980	1981 (Estimates)
Exports	7,811	7,975	10,580
Imports	6,683	10,390	9,610
Balance	1,128	—2,415	—920

Apart from the above mentioned products, Argentina is also in a position to supply special types of steel, seamless tubes and pipes, chemical products, plastic products, petro-chemicals, aluminium products, paper, basic drugs, explosives etc.

Trade between India and Argentina

Quantity : Tonnes
Value : Thousand dollars

Year	Indian Exports		Indian Imports		Balance Value
	Quantity	Value	Quantity	Value	
1973	5,239	3,886	646,641	53,018	—49,132
1974	21,071	17,197	693,643	80,183	—62,986
1975	9,058	8,691	98,226	8,858	— 167
1976	5,191	4,722	6,920	3,273	+ 1,449
1977	6,130	4,583	33,281	25,408	—20,825
1978	2,080	2,555	48,460	24,280	—21,725
1979	1,014	1,560	6,373	6,044	— 4,484
1980 (9 months)	1,805	3,074	14,648	20,937	—17,863

Source : National Institute of Statistics and Census, Argentina.

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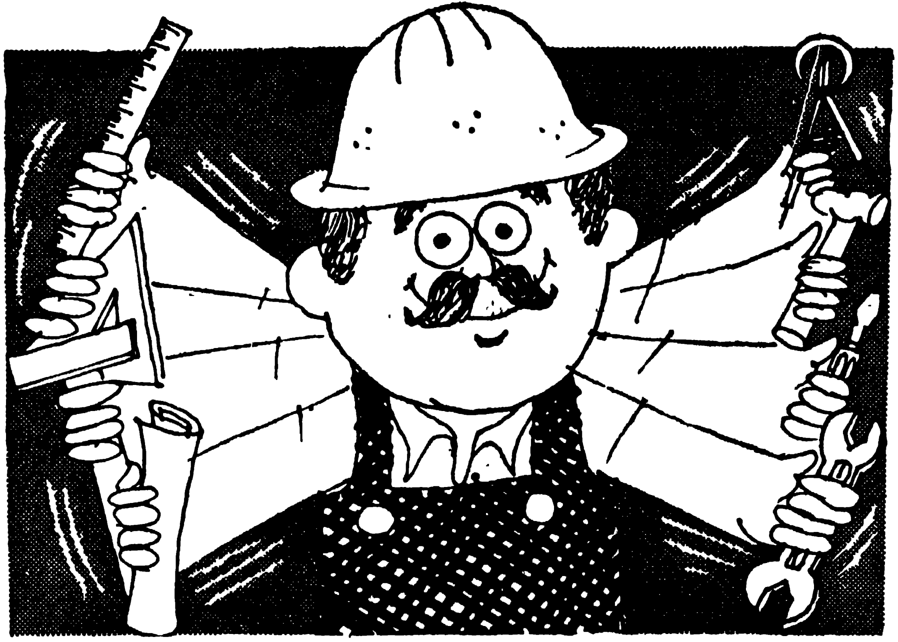

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Point of View

Jute in a Jam

Dr Badar Alam Iqbal

The author who is associated with Aligarh Muslim University believes that despite many constraints which it is facing today, the long term outlook for Jute industry is not bleak. The industry has bright prospect both within the country and outside. It can successfully compete with synthetics and Bangladesh if the prices of jute goods are kept at reasonable levels. This can be achieved by paying attention to research and developmental schemes.

THE JUTE industry, which is one of the oldest agro-based industry of the country, is losing its importance as an export-oriented industry. As against 75.5 per cent of its output exported in 1950-51, only 38.2 per cent of jute goods were exported in 1979-80. This state of affairs is attributed to several problems which are interrelated and require immediate attention of the Government.

The mounting costs of inputs is the first major problem. In the last five years, production costs went up by nearly 70 per cent, while the wholesale prices index for jute goods has increased only by 42 per cent. There has been a considerable increase in wages. The rise in raw material costs has not been insignificant. During the years 1974-75 to 1979-80, manufacturing expenses (other than wages) including the cost of raw materials, stores and power, have gone up by 64 per cent. However, the share of wages increased from 22 per cent in 1970-71 to 25 per cent in 1974-75 and to 32 per cent in 1978-79. Thus, it is not possible to reduce jute goods prices as nearly 85 per cent of the cost is accounted for by raw jute and wages. Even then, the problem needs to be dealt on a war footing.

The competition from Bangladesh started after a boom witnessed by the Indian jute industry in 1971-72. This was due to large-scale disturbances in Bangladesh and the same was shortlived. In the recent years, the Bangladesh economy has staged a significant recovery. Bangladesh now produces six lakh tonnes of fine quality raw jute and five lakh tonnes of inferior raw jute. Bangladesh's jute industry has outpaced the Indian industry and a large number of bulk orders have been secured by Bangladesh from West Asian and African countries by under-quoting Indian jute goods. The case with the other foreign markets is no different. In many case, the overseas buyers have been placing orders first with Bangladesh and the Indian mills are getting only residual orders. This state of affairs is because Bangladesh's industry is in a much better shape than the Indian industry and has increased its capacity for producing all goods. Added to this, Bangladesh's jute goods are stated to be cheaper than Indian goods. Consequently, there has been an appreciable rise in the share of Bangladesh in the world export of jute goods. Table I shows the relative shares of India and Bangladesh in the world exports between 1971 and 1978 and also the growth in world trade.

The table reveals that while Bangladesh's exports of jute goods went up from 231,000 tonnes in 1971 to 501,000 tonnes in 1979, indicating an increase of nearly 130 per cent, India's exports fell by more than 37 per cent from 641,000 tonnes in 1971 to 399,000 tonnes in 1978. Similarly, India's share in the world exports of jute goods during this period declined considerably, i.e. from 53 per cent to 29 per cent. This, indeed, is alarming. Bangladesh's share in the world exports, on the other hand, went up from 20 per cent to 38 per cent.

Since 1974, the sale of all traditional varieties of jute products in the USA, Western Europe and to some extent to Eastern Europe has been adversely affected. This is due to the emergence of synthetic substitutes. Similarly, with the rise of containerisation and technological developments and also the other alternatives, the traditional jute goods witnessed lack of demand in the world market. For example, primary backing of polypropylene had captured the bulk of the market, resulting in loss of the jute carpet-backing. Lately, following the rising trend in the prices of crude oil, the picture has changed somewhat and there are indications that there would be a definite shift in favour of jute for packaging purposes on a large scale.

The future of Indian jute industry would depend on the ability to accelerate

TABLE I

Relative Share of Indian and Bangladesh in the World Export

('000 tonnes)

Year	World Export	From India	% Share	From Bangladesh	% Share
1971	1,200	641	53	231	20
1972	1,305	640	49	379	29
1973	1,350	591	44	409	30
1974	1,340	619	46	442	33
1975	1,100	459	42	374	34
1976	1,210	426	35	493	41
1977	1,300	511	39	490	37
1978	1,350	399	29	501	38

TABLE III

Scheduled Commercial Banks' Advances to Jute Industry in 1977-78

(Rs in crores)

Bank Group	Advances to Jute Industry	Total Advances	% Share of Jute Advances
SBI and its Associates	75.21 (57.70)	4,293.40 (28.30)	1.7
14 Nationalised Banks	46.6 (35.3)	8,621.55 (56.6)	0.5
Other Scheduled Commercial Banks	9.17 (7.0)	2,320.06 (15.2)	0.4

(Figures in bracket indicate % shares in the total for ASCB).

the pace of modernisation which is the need of the hour. It lags behind its rival countries both in capital equipment and techniques of production. In 1956, the Planning Commission had pointed out the existence of obsolete machinery. Since then no concerted efforts have been made in this direction. Research efforts have also been inadequate.

The task of timely modernisation and research is quite difficult due to three reasons: (a) the industry has no reserves; (b) it lacks capacity to repay or even service loans, and (c) inability to make profits as the industry has become non-viable. Table II indicates the worsening trends in the profitability of jute companies between 1970-71 and 1977-78.

Now the Central Government is showing keen interest in improving the performance and competitive strength of the industry by implementing certain schemes of modernisation and by providing some subsidies and incentives

In order to check the deterioration in the competitive position export duty on carpet backing, ranging between Rs 200 and Rs 750 per tonne depending on quality, was reduced some time ago to a flat rate of Rs 200 per tonne. The export duty of Rs 600 per tonne on hessian was also abolished.

Recently a Development Council for Jute Industry has been formed to improve its working and competitiveness. A fund has been created to undertake various schemes of modernisation. A cess of 0.25 per cent on the value of jute manufactures has been levied. It provides an annual collection of nearly Rs 5 lakhs. Together with other Government grants, it comes to about Rs one crore. This amount is being spent on two important research institutes, namely, Indian Jute Industry Research Association and Jute Technological Research Laboratory.

Some times back the Central Government appointed a committee under the chairmanship of Mr S.G. Bose Mullick, the then Commerce Secretary, to work out certain measures and schemes for the improvement of the performance of this important agro-based industry. In its report, the committee had recommended that, (a) bank credit to the industry must be available on liberal terms and conditions, (b) a 10 per cent subsidy on carpet backing should be continued and extended to other goods like hessian, and (c) the Jute Commissioner should exercise discretionary powers to implement effective inventory control and management by jute mills.

It is heartening to note that a scheme of soft loans has come up for modernisation. According to one estimate, the total requirements of jute industry for modernisntion amounts to Rs 168 crores. The Industrial Development Bank of India (IDBI) has been directed to provide finance for modernisation purposes. Accordingly, a soft window for this purpose has been opened by the IDBI. The bank provides assistance for modernisation, replacement and renovation of plant and equipment so as to achieve higher and more economical level of production. The basic consideration for assistance is the weakness of the units arising from obsolete machinery and not due to managerial deficiencies. Priority has been given to spinning, including the preparatory section and the processing sections.

Commercial banks have come forward to provide finance to jute manufacturing units. Till the end of December, 1978, Rs 131 crores had been given to jute units, constituting nearly one per cent of the total advances. This, however, was a meagre sum. Out of this sum, the State Bank of India group accounted for nearly 58 per cent. It is suggested that the

TABLE II

Jute Companies' Profitability Ratio Between 1970-71 and 1977-78

Ratio	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78
Gross Profits as % of Sales	4.0 (10.3)	6.2 (10.0)	2.5 (9.5)	0.5 (10.7)	6.3 (11.4)	5.1 (14.4)	1.4 (13.6)	—1.4 (13.3)
Gross Profits as % of Total Net Assets	5.7 (10.4)	10.6 (10.4)	4.6 (10.3)	0.8 (11.2)	9.7 (12.8)	8.9 (16.8)	2.5 (16.4)	—2.2 (16.3)
Profit after Tax as % of Net Worth	4.6 (11.2)	15.2 (10.5)	2.9 (10.3)	—12.6 (11.6)	13.6 (13.6)	—4.4 (10.5)	—14.7 (9.8)	—42.4 (10.5)

(Figures in brackets show ratios for 'all Industries').

Central Government should instruct the public sector banks to provide more and more finance for the development of such an important and the oldest industry of the country. Table III shows scheduled commercial banks' finance to jute industry in 1977-78.

In order to provide help to exporters facing severe competition in the world markets, the Central Government had been giving cash compensatory support of 10 per cent on both carpet-backing cloth, hessian and 25 per cent on cotton bagging exports. In 1979, cash incentives on hessian export was removed. From February 18, 1980, the Government re-imposed export duty on hessian cloth and bags at the rate of Rs 1,000 per tonne. With effect from April 1, 1980, cash aid has been discontinued on all other items of jute goods exported except cotton bagging. There is need for a fresh look on these issues if the industry is to be put in an even keel.

Despite many constraints which the industry is facing, the long-term outlook is not as bleak as is made out today. The industry has bright prospects both within the country and outside. It can successfully compete with synthetics and Bangladesh if the prices of jute goods are kept at a reasonable level. This can only be achieved if proper attention be given to research and developmental schemes. It is high time that some life is enthused into the jute industry so that it could play its increasing role within the economy as well as in the international markets.

Helping the Disabled : What Banks Can Do

K. K. Ammannaya

It is estimated that about 10 per cent of the world's population is having one disability or the other and India has a fair proportion of the disabled. Though banks are not charitable institutions, yet through their credit system they should help in developing the human resources available in the disabled people. The author who is associated with Syndicate Bank suggests that banks should provide credit assistance to the disabled under the differential interest rate scheme to enable them to start their own ventures. In this Interntional Year of Disabled Persons we should ensure their full participation in the economic and social life of the community.

THE CURRENT year, 1981, has been declared as the International Year of Disabled Persons. If we go by the statistics, the world today is having more than 450 million disabled which is equivalent to the entire population of the African continent. The one single cause for the growing number of the handicapped can be described as "Social Neglect". That is why, the United Nations' Organisation has thought it fit to invite the entire international community to recognise the difficult and tragic conditions under which handicapped persons live.

Efforts to define the terms "Handicap", Handicapped", "Disability" and the "Disabled" resulted in a profusion of documents. As a working basis, the World Health Organisation has given a definition as per which there is distinction between impairment, disability and handicap. According to this definition, it is possible to identify more than 200 types of disabling conditions. We have to bear in mind that these categories will vary according to the characteristics of the individuals who are physically and mentally handicapped. They will also depend on their age group, sex, whether they are single or married, and perhaps even on their citizenship status as in the case of refugees.

An impairment is any loss or abnormality of psychological, physiological or anatomical structure or function. A disability is lack of ability to perform an activity in the manner or within the range considered normal for a human being. A handicap is a disadvantage for a given individual resulting from an impairment or a disability that limits the fulfilment of a role that is normal for that individual. There are some diseases which if they are not treated in time, lead to disablement: on the other hand, not all people with impairment need become handicapped provided the community takes timely and specific steps to rehabilitate them. By eradicating polio from some countries, the WHO has helped to prevent a crippling disease. Besides trying to prevent disability, the International Year of Disabled Persons seeks to promote an increased awareness among the public about the needs, abilities and aspirations of the disabled and to foster the spirit of equality and integration of disabled people in their communities. One of the handicapped persons observed on the eve of the International Year of Disabled Persons, "More than special benefits, we need access to the buildings that you have access to. We need to participate in the same entertainments you can enjoy. Above all, we do not want to be 'different' just because we are in wheel chairs or blind or maimed."

Preventing Disability

Therefore, during the current year, there should be efforts at all levels to bring help and succour to the disabled. Such efforts should be undertaken at the international level, national level, community level and also at the level of institutions such as commercial banks and other financial institutions. There should be measures aimed at preventing disability as well as at the rehabilitation of those who are already handicapped. At the national level, the first problem to be tackled is to establish a scale of priorities. As a first step, we should promote the integration of the disabled into our own society, their full participation in economic and social life. The group of activities where attention has to be devoted are the following :

The humanitarian field which includes both the notion of respect for the individual and for dignity seen from the angle of social justice. We have to replace the outmoded sentiments of charity and pity by the most positive and forward looking activities and legislative measures in favour of the disabled persons.

Psychological Aspect

We may also do something in the psychological field which primarily means promoting public opinion about the nature of the handicap, the particular needs of disabled persons and also the obligation of the society to motivate the growth of the disabled to realise the full scope for their potential.

The third field will be the prevention of disability. In this area, a lot of work could be done by the institutions engaged in the area of health education. The State Governments, the local boards, etc. can play an important role in this field. The WHO has also been assisting the countries in this regard.

Even voluntary agencies can play a useful role in motivating people to take steps to prevent disability through encouraging immunisation. They can arrange camps for immunisation in rural areas. The Manipal Jaycees have been doing some work in this regard. They also arranged a camp for the disabled at Udupi on August 25. In this camp, all the requisite services, such as supply of application forms for scholarships, pensions, etc., for the disabled, instant photographs, issue of medical and income certificates were provided under one roof. Over 400 disabled persons got the benefit of this camp. As indicated by the organisers, the camp helped to bring about awareness among the public and Government about the magnitude of the problem and to educate the people about the availability of several governmental facilities and benefits. In rural areas, people are not at all aware of the scholarship and pension facilities for the disabled available from the Government. Hence this type of educative process is necessary.

These types of camps are necessary for rendering all the needed services to the disabled under one roof and to bring about public awareness about the availability of the facilities from the Government. Thus and thus only can we ensure that the benefits available from the Government reach the people for whom they are meant.

Last but not the least the participation of disabled persons must be envisaged at all levels and in all sectors, whether cultural, social, economic or political. In fact, the field of participation assumes more importance when we consider that the development of human resources is fundamental for accelerating the process of development and bringing about the new international economic order.

Banks' Role

Banks have been playing an important role in assisting the economic and social progress of the country. In fact, commercial banks, particularly in the post-nationalisation era, have become important partners in progress. Through their credit operations, they generate economic activities, bring about economic progress, thereby contributing to social progress. With a view to assisting the disabled, who also constitute an important section of community, banks may think in terms of rendering assistance in the following areas :

Extending Financial Assistance: Financial assistance can be provided to the industries or units manufacturing articles and items which are essential for the physically handicapped, such as wheel-chairs, artificial limbs, etc. There is an artificial limb centre at Pune which rehabilitates 4,000 persons every year. If banks can extend financial assistance, it is possible to open many more such centres for manufactuing artificial limbs. With the help of such artificial limbs, it will be possible to rehabilitates the disabled persons so that they may enter a new life.

Providing Salaried Jobs: The Prime Minister has already indicated that the rules relating to reservation of posts in respect of the disabled should be implemented. All the organisations, both in public and private sectors are in a position to provide job assistance to a number of disabled persons who can work. Disabled persons who cannot talk, i.e., who are dumb, can work as clerks provided they have adequate education. With relaxation in the educational qualifications also, various organisations can think of providing opportunities to the disabled persons for employment.

Self-employment : From a survey undertaken in South Kanara District by Manipal Jaycees, it is found that a vast majority of disabled persons have shown inclination to take up self-employment. They require credit assistance since they do not have capital of their own for starting an enterprise. They also require guidance. Given necessary credit assistance and guidance in managing enterprise some of the disabled persons are in a position to take up self-employment. Commercial banks and financial institutions, such as state financial corporations, co-operative banks and term lending institutions, can think of providing credit assistance on soft terms to the disabled. Nationalised banks are having a scheme of lending under differential interest rates scheme. Under this scheme advances are given at 4 per cent to certain weaker and neglected sections of society. It is suggested that banks may provide credit assistance to the disabled under the differential interest rates scheme so that they can start their own ventures and be on their own.

India's Problem

It is estimated that above 10 per cent of world's population is having some disability, be it mental, emotional or physical. A sizable majority of the disabled lives in the developing regions of the world. The disabled are mostly blind, deaf, dumb, crippled or mentally retarded. In India alone, there are over 50 million disabled persons. It is estimated that there are about nine million blind people in India. About 14,000 students are reportedly incurably blind and they are studying in schools meant for the blind. In view of the magnitude of the problem, the Government alone cannot do the job of providing rehabilitation to the disabled. All the agencies both in the State sector and the non-State sector should come forward to help the disabled. Commercial banks, which are addressing themselves to the task of providing assistance to the various sections of the society, should resolutely come forward, evolve special schemes and render special assistance for the rehabilitation of the disabled.

Exploding Talent

Among the handicapped persons, there are talented people who can become poets, singers, orators, scientists, economists, doctors and so on. Timely help to them in the field of education by providing scholarships and other financial assistance for the purchase of books, equipment, etc., will go a long way in helping them stand on their own legs and make a decent living. The schools and educational institutions for the physically handicapped persons should be informed of the scheme available in banks. If such information is available in the schools, then the school teachers are in a position to advise the boys and girls having disability to approach banks for assistance for prosecuting their studies. The public should also be made knowledgeable about such facilities.

It is unlikely that a single United Nations sponsored International Year of Disabled Persons will help solve all the problems of the disabled. But a start can be made in sensitising the public to where the need exists and how it may best be met. The year is likely to see disabled people themselves realising what they can do on their own and also combining their efforts in ways that may never have been tried before. The year will help in breaking down the aversion, fear and intolerance that the disabled too often encounter from the so-called normal persons. But such initiatives cannot be only one-sided. Given the necessary enthusiasm, efforts and determination from all concerned—both the Central and State Governments, voluntary agencies, semi-Government agencies, financial institutions including commercial banks—should join hands in attempting solution of the problem.

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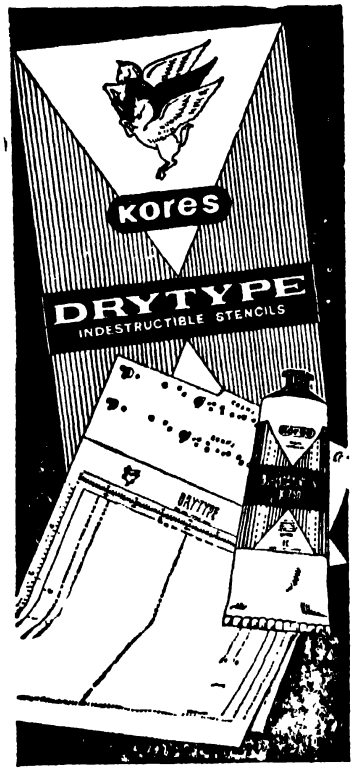

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RIGHT SHARES OFFERED FOR Rs. 184 LAKHS
NEW SHARES ELIGIBLE FOR FULL DIVIDEND FOR 1981-82

Highlights from Statement of Chairman, Sri N. Mahalingam, to the Shareholders

The year 1980-81 is significant for your Company in many respects:

a) It has completed *two decades of purposeful corporate history*. Record of progress made during the period is truly impressive. Sugar factory, established with an initial capacity of 1250 tonnes of cane daily, was expanded in quick succession to 4000 tonnes of cane daily. Distillery set up with a capacity of 90 lakh litres of alcohol per annum was, within a short time, expanded to 135 lakh litres per annum.

b) The performance for the year 1980-81 has been quite commendable.

- Highest cane crush in the Southern States for the third year in succession.
- Better realisation on free market sugar on account of superior quality.
- High operating efficiency (low sugar losses).
- Highest ever dividend (17.5%) in the history of the Company.

c) Bearing in mind our social obligations to the community, *Sakthi Foundation* has been created with a contribution of Rs. 57.98 lakhs from your Company during the year 1980-81 for carrying out Rural Development Programmes. A polytechnic by name *Sakthi Institute of Technology* has already started functioning. *A full fledged hospital* with a network of *mini health centres* around the area is being established. The entire area is expected to undergo a sea-change in the next three years which will create a lasting bond with the cane growers.

PERFORMANCE FOR 1980-81

Cane crushed	6.49 lakh tonnes
Sugar produced	5.72 lakh quintals
Sugar losses	2.06%
Alcohol output	83.50 lakh litres
	Rs. in lakhs
Turnover	2383.28
Profit after meeting all expenses	241.26
Depreciation	67.22
Disposable profits	174.04
Reserve/Surplus carried over	15.38
Dividend on equity shares	17.5%

Financial Position

Company's financial position has been considerably strengthened by the retention of over Rs 400 lakhs out of the earnings for 1979-80 and 1980-81. During 1980-81, capital expenditure of about Rs. 142 lakhs has been incurred taking the gross block to Rs. 12 crores.

Depreciation charges being Rs. 6.90 crores, net fixed assets have a book value of Rs 5.09 crores.

Outstanding term loans to the financial institutions will be fully rapaid in January 1982.

Pragmatic Government Policy

Sugar industry has made a valuable contribution in raising output by over 12 lakh tonnes in 1980-81 season. It can acquit itself even more creditably, given proper and helpful handling of its problems by Central and State Governments.

The determination of levy sugar price from 1979-80 season has been pragmatic and helpful to the industry. I wish the same realism were shown this year in fixing statutory cane price also. For 1981-82 season, Agricultural Prices Commission recommended a statutory cane price of Rs 15.5 per quintal. However, Central Government has continued the price at Rs. 13 per quintal. In the context of steep escalations in cost of cultivation, this may lead to a fall in cane area in 1982-84 seasons, unless remedial masures are immediately taken.

I welcome the recent decision by Government to resume exports and create a buffer stock. These measures will help support the sagging sugar prices and bring about stability in the industry.

Issue of Right Equity Shares

In order to achieve optimum efficiency in sugar extraction, certain balancing equipment have been, and are being, added to the existing plant. To meet a part of the capital expenditure and to augment the increased requirements of the working capital of the Company, equity shares of Rs. 10 each are being issued at par to the existing shareholders of the Company in the ratio of one share for every equity share held. *The new shares will be eligible for full dividend for the current year.*

This enlarged capital base will enable the Company to execute smoothly the various diversification and expansion schemes being now formulated for execution during the next five years, which will help *achieve more than double the turnover by 1986 — Company's Silver Jubilee Year.*

Plans for Diversification/Expansion

Your Directors are formulating new plans for diversifying activities of your Company and securing a higher level of profitability on fresh investments in new projects. For the purpose, an *Engineering Division has been established* and the production of industrial gears taken up, in view of the large and continuing demand for them. The project involving an initial investment of about Rs 1 crore is expected to go into production shortly.

A letter of intent has been received for producing 10,000 tonnes of paper per annum based on bagasse. The first stage of this project with an installed capacity of 5,000 tonnes paper per annum is expected to be implemented by 1984, involving an outlay of Rs. 4 crores.

Your Directors have also in view the further expansion of the sugar factory to 5,000 tonnes cane crush per day and the distillery to 225 lakh litres per annum within the next few years.

Assured Outlook

I am emboldened to take an optimistic view of the immediate future with the prospect of crushing over 7.5 lakh tonnes of cane, with a further improvement in efficiency of operations. The distillery too will be making a good contribution to turnover and earnings. With a steep fall in the interest burden on long-term loans and the likelihood of a larger disposable profit, *I venture to think that the return on the doubled equity capital will be statisfying.*

With reasonably assured prospects for 1981-82, and the steps being taken to execute schemes having a short gestation period and a high level of profitability, *the long term prospects are encouraging indeed.*

NOTE:—*This does not purport to be a record of proceedings of the Annual General Meeting*

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MYSORE CEMENTS LIMITED

Chairman's Statement at the 23rd Annual General Meeting on 18th December 1981

Friends :

At the outset, on your behalf and on my own, I welcome Mr J. Matthan and Mr S. Krishnamurthy who have been nominated on our Board by IFCI and IDBI respectively.

I also welcome you all to this 23rd Annual Meeting of your Company. The audited Balance Sheet and Profit & Loss Account for the year ended 30th June 1981 and your Directors' Report have been with you for some time now and I am sure you have gone through the same.

The importance of Cement Industry in the Country's economy hardly needs any emphasis. Cement, as a basic construction material, is required for every development work and housing projects and, therefore, is associated with nation-building. Unfortunately, this vital industry except getting lip-service, has received scant real attention that it deserves. The perennial shortage of coal and power persists to plague it, with the result that even new factories established at huge capital costs have to operate much below their rated capacities. Most of the older factories, likewise have to be content with inadequate and bad quality of coal and reduction in power supplies. As a result, the production has always substantially lagged behind the demand, which is now estimated to be over 30 million tonnes. The production, on the other hand, in present conditions, is not likely to go beyond 18 million tonnes and that too, inspite of new capacities having been established. Even with the import of two million tonnes, this would still be short of the demand by 10 million tonnes. Unfortunately, this has been a recurring feature year after year for the last one decade. The demand far outstripping the supply has given rise to black marketing, despite the fact that the supply of cement is fully controlled by Government. It is ironical that it is the common man who has to suffer most under such conditions. By the end of the Sixth Five-Year Plan, the demand of cement would escalate to 38 million tonnes. It is unlikely that the fresh letters of intent/licences for additional capacity of 33 million tonnes approved by the Government would materialise in the face of the unremunerative returns and installed capacities lying idle.

The tone of the country's economy is set by its actual production of basic important items. Coal and Power unfortunately have been and continue to be seriously affecting all these. Petroleum products are in short-supply world over and yet we are wasting large quantity of this scarce material by industries having to take recourse to Road Transport on account of failure of Railways to supply adequate rail transport. Road transport being about three times costlier, increases the cost of production very substantially and again it is the common man who is more affected by it. Why adequate rail transportation cannot be available even for such important item as coal, is beyond comprehension, and indicative of utter lack of co-ordination and effective management. I am afraid, unless really effective measures are taken to supply the full required quantity and quality of coal and power, it will be only an idle dream for Cement Industry to discharge its duty. It is a pity that the Industry so vital for the nation should have to face this situation year in and year out. It is obvious that if Cement Industry works on a capacity utilisation of 90% which it has done in the past, there will be enough supply to go round and meet all demands and the country will not have to resort to imports at exorbitant price and waste scarce foreign exchange.

Much is being talked about the 5 billion dollar loan by the International Monetary Funds. Surely it has been a tremendous victory for our Finance Minister to get this, under powerful opposition. But can we make effective use of it ? Only time will show. If we fail to do so, it will be a huge burden of debt for us and the future generation to have to bear.

The High-Power Committee headed by Dr. A.K. Ghosh, Chairman of Bureau of Industrial Costs and Prices to review the present Cement pricing system and suggest modifications to ensure healthy growth of the Industry including achievement of production at optimum level and to recommend a fair price payable to the Industry from April 1982, is expected to submit its report by the end of this month. It is hoped that the Committee will take into consideration the various factors, including the recent hike in the Railway freight and adequate return on capital employed, resulting in a realistic price, so that the Industry can generate adequate funds for ploughing back to meet the ever-growing demand and the much needed renovation of old plants.

Fighting shy of important industries getting fair and reasonable price for their products, on the false notion that higher prices will hurt the interests of the common-man or harm the economy through inflation, is the surest way of defeating those very objectives. No Industry, whatever some experts may say to the contrary, can survive eating into its capital or keeping its investments unremunerative. The production would ultimately suffer and the common man, inspite of all punitive laws, shall have to pay through his nose to get his requirements or alternatively suffer deprivation. Reasonable and fair prices, on the other hand, would automatically induce greater investments, resulting in adequate availability and consequent lower prices.

Damoh Project :

I am happy to inform that but for the delay in respect of some of the vital components from the local manufacturers, the plant would have been ready to go in operation, as scheduled, before the end of this month. Despite this, efforts are being made to commission the plant during the next few weeks. The Company has also applied for the expansion of this plant by one million tonnes.

Expansion at Ammasandra :

With the installation of precalcinators, the plant has reached the capacity of 7 lakhs tonnes per annum.

Asbestos Cement Sheet Project:

The application for the import licence for import of the Asbestos Cement Sheet plant is awaiting Government's approval to enable the Company to proceed with the implementation of the Project.

Before concluding, I would like to express my gratitude to the Financial Institutions, who have granted a loan of Rs. 22 crores for your Damoh Project and Rs. 4.28 crores for modernisation and renovation of the Ammasandra plant.

Active and whole-hearted co-operation of the Staff and Workers is essential for successful operation of any plant and I am extremely happy to note that the results as reported, have been possible with such whole-hearted co-operation from them. I am grateful to them for this.

Thank you.

Note : The above does not purport to be a report of the proceedings of the 23rd Annual General Meeting of the Company.

STATE OF THE ECONOMY

Sugar Output

According to the Indian Sugar Mills Association, the sugar production during the second fortnight of November 1981 was about 3,87,000 tonnes as against 3,01,000 tonnes during the same fortnight last year. The total production in the month of November, 1981, the second month of the season 1980-81 was about 568,000 tonnes as against 415,000 tonnes during the same month last season.

This brings the total output during the first two months of the season 1981-82 to 625,000 tonnes as against 435,000 tonnes during the corresponding period last year. The off-take of sugar from factories during the second fortnight of November was about 190,000 tonnes for internal consumption and nill for exports as against 162,000 tonnes for internal consumption and nill for export during the same fortnight last season.

The despatches during the month of November 1981 was 299,000 tonnes for internal consumption and nil for exports as against 268,000 tonnes for internal consumption and nil for exports during the same month last season.

The total off-take in the first two months in 1981-82 was 717,000 tonnes for internal consumption and nil for exports as against 608,000 tonnes for internal consumption and nil for exports during the corresponding period last season. The total closing stock of sugar with the factories as on November 30, 1981 was about 687,000 tonnes as against 424,000 tonnes on the same date last year.

Sugarcane Production

The production of sugarcane slumped to 128 million tonnes in 1979-80 largely due to a fall in the area under cultivation and drought conditions. To step up production, special measures by way of expansion of area, production and distribution of quality seed cane, adequate and efficient use of fertilisers, proper ratoon management, enlarging the plant protection umbrella, and intensive extension methods were undertaken during 1980-81. As a result, cane production picked up to 150.5 million tonnes last year. These efforts were further intensified during 1981-82. The anticipated production of sugarcane during the year is likely to be substantially higher than that in 1980-81. For increasing sugar production during the current season, 1981-82, Government have announced the grant of an incentive to sugar factories, by way of an excise rebate for early crushing. The total production of sugar in 1981-82 is expected to reach the record level of 65 to 67 lakh tonnes as against 51.43 lakh tonnes in 1980-81.

Steel Manufacture

During April-October, 1981, the six integrated steel plants produced 3.97 million tonnes of saleable steel and 4.84 million tonnes of ingot steel. The corresponding figures for the same period last year were 3.21 million tonnes of saleable steel and 4.05 million tonnes of ingot steel. This information was given by Mr Pranab Mukherjee, Minister of Steel and Mines, at a meeting of the Parliamentary Consultative Committee attached to his Ministry.

The Minister said that the production of the public sector steel plants was 3.73 million tonnes of ingots and 3.08 million tonnes of saleable steel representing an increase of about 24 per cent ingot steel and 30 per cent saleable steel over the corresponding production performance of the last year. The Minister also informed the meeting that the Government have approved the setting up of a Pellet Plant at Mangalore for the conversion of Kudremukh concentrates into pellets at an estimated cost of about Rs 87 crores.

Trade Deficit Reduced

There has been an increase of about 11.5 per cent in exports and a fall of nearly 6.5 per cent in imports during the first six months (April-September) of the current financial year over the same period last year, according to adjusted figures.

As a result, the Commerce Ministry reckons that the trade deficit in 1981-82 would be marginally lower around Rs 5,500 crore compared with over Rs 5,700 crore provisionally placed for 1980-81.

On the basis of provisional data released by the Ministry, export earnings in the first six months of 1981-82 amounted to Rs 3,326.45 crore compared with Rs 2,853.84 crore in the corresponding period last year, showing an increase of 16.6 per cent.

The import bill, on the other hand, was of the order of Rs 5,606.60 crore in the first half of this year against Rs 5,781.60 crore in the same period last year. This showed a fall of about there per cent.

The trade deficit, on the basis of the provisional figures, thus declined to Rs 2,280.24 crore from Rs 2,927.76 crore.

On the basis of adjusted figures, therefore, the increase in exports is said to be about 11.5 per cent while the fall in imports is nearly 6.5 per cent.

Earnings from agricultural and allied products were up by 43 per cent, those from chemicals and related items by 22 per cent, textiles 20 per cent, handicrafts 22 per cent and engineering goods 20 per cent.

Exports of leather, sports goods, gems and jewellery, jute and manmade textiles, however, were lower than the anticipated levels during the same period.

Import figures are available only for certain canalised items. The value of these items in the first six months of 1981-82 with the data for the same months last year in brackets in crores of rupees is :

Crude oil and petroleum products 2,482 (2,397), edible oils 380 (375), newsprint 50 (75), cement 42 (30), natural rubber 26 (12), non-ferrous metals 211 (27), fertilisers including raw materials 518 (421).

The value of imports of these items in the whole of 1980-81 was: crude oil and petroleum products 5255, edible oils 805, newsprint 133, cement 80, natural rubber 23, non-ferrous metals 545 and fertilisers including raw materials 938.

Steps to Increase Oil Production

The Minister for Petroleum, Chemicals and Fertilisers, Mr P.C. Sethi, told Rajya Sabha that over 16 million tonnes of crude oil was expected to be produced in the country during 1980-81.

By the end of 1984-85, the Oil and Natural Gas Commission and Oil India Ltd were together expected to produce nearly 30 million tonnes of oil and 4 million tonnes of oil equivalent of gas, which would be about 70 per cent of the total requirement of hydro-carbons.

The Minister in a written

reply to a question said that to increase production the Government propose to implement the accelerated production programmes in the Eastern Region.

Machine Building Plants Expansion

India and the USSR have agreed to set up an expert group to go into the desirability of expanding and deepening cooperation between the machine building plants in Ranchi, Durgapur and Hardwar and come up with concrete recommendations by the middle of next year, according to a protocol signed here recently. The protocol was signed by Mr D.V. Kapur, Secretary, Department of Heavy Industry and Mr E.Y. Zvizhulev, Deputy Minister of Heavy and Transport Engineering, USSR. A 12-member Soviet delegation headed by Mr E.Y. Zvizhulev, Deputy Minister of Heavy and Transport Engineering was in India from December 9 to 16, 1981, to take part in the Third Session of the Indo-Soviet Working Group on Machine Building.

During the present session of the Working Group, BHEL signed a contract with V/O "Promuashexport" for supply of Hydro Turbine Runner Profiles. Heavy Engineering Corporation, Ranchi and Mining and Allied Machinery Corporation, Durgapur, have also signed contracts with V/O "Metallurgimport" for supply of metallurgical and mining equipment as well as rolls, castings and forgins to the USSR in 1983 amounting to Rs 13 crores and Rs 8 crores respectively.

Tentative volumes of equipment, castings and forgings for supply from machine building plants at Ranchi, Durgapur and Hardwar to the USSR during the years 1983 to 1985 were also identified which will progressively lead to placement of further orders by USSR on the above three Indian enterprises. The delegation visited Heavy Electricals Equipment Plant (BHEL), Hardwar and Heavy Engineering Corporation, Ranchi, and Mining and Allied Machinery Corporation, Durgapur. They took particular note of the improved production of these units during the current year compared to last year.

Rupee-Pound Exchange

The Reserve Bank of India down valued the rupee by 0.58 per cent on December 25. This is the first devaluation of the rupee during this month after four successive upvaluations. With this revision, the rupee now stands cheaper by 10 paise.

The new spot purchase and sale rates have been fixed at £5.8617 and £5.8343 respectively. The new spot purchase rate £5.8617 corresponds to Rs 17.06 and the new sale rate £5.8343 corresponds to Rs 17.14

The middle rate depreciated to Rs 17.10 from the previous Rs 17.00. The forward discount, however, remains unchanged, and RBI will continue to purchase forward sterling upto the ninth month at a discount of 60 points per month.

Indo-Spanish Cooperation

Trade and economic relations between India and Spain were discussed in the second meeting of the Indo-Spanish Joint Committee on Commercial and Economic Cooperation, which concluded here recently. The Indian delegation to the talks was led by Mr K.G. Ramanathan, Joint Secretary, Ministry of Commerce and the Spanish delegation was led by Mr Pedre Solbes Mira, Director General of Commercial Policy, Ministry of Economy and Commerce. The meeting identified several commodites which could be exported from India to

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Spain. These include engineering goods, leather, unmanufactured tobacco, textile items and marine products. The Indian side also stressed the possibilities of exporting iron ore to Spain.

The Spanish side mentioned that there were good prospects for import into Spain of shrimps, shell fish, cuttle fish etc. Certain restrictions were in force only in respect of white and blue fish. Imports of marine products from India declined after reaching a peak in 1979. The Indian side took notek of this.

Modest Increase

The two-way trade between India and Spain has been modest although it has increased substantially over the years. The increase has been particularly significant during the last five years. In spite of this, the proportion of each country's export to the other is about 0.3 per cent of the volume of its total exports. India continues to export traditional items such as finished and semi-finished leather, cotton and handloom garments, precious and semi-precious stones, ore and concentrates etc. A small quantity of light engineering goods like air and vacuum pumps, compressors, lamps and light fittings, hand tools, generators etc. have also been added to the export list. Small quantities of sanitary hardware, copper articles for domestic use, furniture, automobile spare parts and handicrafts were also exported during 1979.

The contribution of non-traditional sector in our exports to Spain is extremely small despite the fact that a large number of items of interest to India are listed in the Indo-Spanish Trade Agreement. On the import side, major items of import from Spain have been vegetable oils and fats, synthetic fibres, organic and inorganic chemicals, medicinal and pharmaceutical products, iron and steel etc. Indo-Spanish trade and commercial relations are governed by a Trade and Economic Cooperation Agreement signed in 1972 which provided for a Joint Committee to review the trade relations between the two countries periodically. The first meeting of the Joint Commission took place in Madrid in July 1976.

Romanian Electric Locomotives

Romania has offered to supply 5100-KW electric locomotives to India and cooperate in electrification projects of the Indian Railways. This offer was made recently by the Ambassador of Romania, Dr Dumitro Niculescu, when he called on the Minister for Railways, Mr Kedar Pandey. The offer is intended to enable the Indian Railways to manufacture such locomotives indigenously in future. Dr. Niculescu said that Indian Railways were already importing some wheels and axles from Romania and imports from his country were payable in Indian rupee. Mr Pandey welcomed the offer and said that he would get this proposal examined by the experts. Dr Niculescu invited Mr Pandey to visit his country and also send a delegation to see the Romanian railway workshops. Electric locomotives from Romania are being exported to Algeria, Bulgaria, China, Egypt and some other countries.

Credit for Farmers

On November 30, a big step was taken in the direction of providing credit facilities to the farmers and rural artisans etc. to accelerate the pace of rural development. The Lok Sabha passed a Bill providing for the establishment of a National Bank for Agriculture and Rural Development. Explaining the objectives of the new bank, the Finance Minister, Mr R. Venkataraman, said that it would provide credit for the promotion of agriculture, small scale industries, cottage and village industries, handicrafts and other allied economic activities in rural areas with a view to promoting integrated rural development.

The National Bank for Agriculture and Rural Development is being set up as a statutory corporation to be owned by the Government and the Reserve Bank of India jointly. The entire undertaking of the Agricultural Refinance and Development Corporation shall be transferred to and vest in the new bank

The National Bank shall provide short term financial assistance for promoting agriculture and rural development to State Cooperative Banks, Regional Rural Banks or any financial institutions approved by Reserve Bank of India in this behalf. Similarly, the bank will provide refinance to various banks for their term lending operations for the purposes of agriculture and rural development.

Irrigation in Sixth Plan

The target fixed for irrigation development during the Sixth Five Year Plan period is the creation of 13.74 million hectares of additional potential. Giving this information in a written answer to a question by Mr N.P. Chengalaraya Naidu, in the Rajya Sabha, the Union Minister of State for Irrigation, Mr Z.R. Ansari said that the growth rate of irrigation during the Fifth Plan period was on an average about two million hectares per year. The Minister further informed the House that since the advent of planned development from 1951, about 900 major and medium irrigation projects were undertaken and about 600 of these have been completed. Mr Ansari also said that although India has the largest irrigation system in the world, it still needed a lot of improvement in the quality of irrigation and water management.

India Uganda Cooperation

An industrial mission of the Association of Indian Engineering Industry (AIEI) which has returned recently from Uganda has identified scope for joint ventures, transfer of technology, manpower training and export of engineering goods to Uganda. AIEI's cooperation and assistance has been specifically sought in the following areas : (a) Components and spares for sugar, textile and cement machinery on a priority basis in order to facilitate rehabilitation of these industries and to increase utilisation of installed capacities. (b) Management and technical consultancy for modernisation of existing plant and machinery and product diversification in sugar, textile and cement industries, in a phased manner. (c) Joint ventures and/or technical support for manufacturing hinges, wire mesh screws, fruit canning, automobile spares, tyre retreading, mini sugar and paper plants, cotton ginning etc. (d) Setting up of engineering workshops with servicing and maintenance facilities. (e) Cooperation in setting up a large number of new industries in small, medium and large scale sectors during 1981 to 1985 listed in the Report of the Industrial Reactivation Task Committee. Some of these are : automobile brake linings, integrated milling project, integrated fruit and vegetable processing and preservation plant, integrated power alcohol plant, bicycle assembly plant, instant coffee plant, tyres, tubes, etc.

The mission was led by Mr S.S. Kanwar, Chairman AIEI (Northern Region). The other members of the mission were Mr S.M. Bodas (Kirloskar Oil Engines Ltd), Mr S.K. Mehta (Escorts Ltd), Mr V.K. Munjal (Hero Cycles Pvt Ltd), Mr P.R.V.K. Rao (Bank of Baroda) and Dr

P.V. Seshadri (International Engineering & Textile Services Pvt Ltd. AIEI had a meeting in New Delhi with the visiting Ugandan delegation. At the meeting Mr Kanwar reiterated AIEI's assistance in rehabilitating the Ugandan industry. The Ugandan Minister of Industry Dr Adonia Tibirondwa, appreciated the employment oriented industrial culture of India.

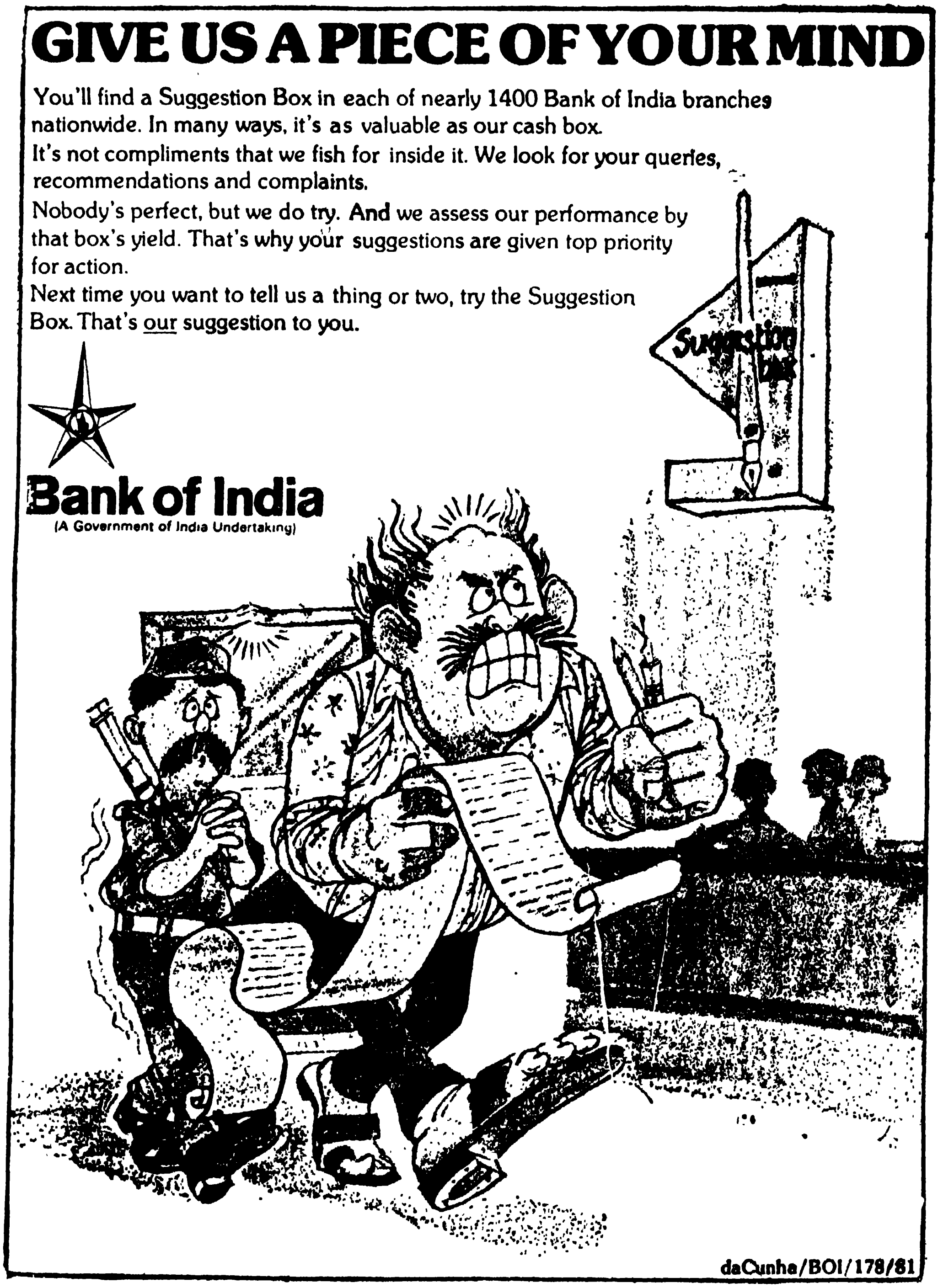
Referring to the Protocols signed by the two Governments, he invited AIEI to participate in the various programmes of mutual cooperation in the fields of trade, technology and agricultural development. He said that Indian industry's cooperation was particularly welcome not only because of the competitive cost but also on account of its ability to offer appropriate technology to developing countries.

Aspects of Tropical Droughts

The most attractive feature of the science of meteorology lies in the fact that "weather" recognises no political barriers. It is a science in which the collection of data and information through mutual cooperation is essential for Progress. This was stated here recently by Mr A.P. Sharma, Minister for Tourism and Civil Aviation, while inaugurating a symposium on Meteorological Aspects of Tropical Droughts, organised jointly by World Meteorological Organisation and India Meteorological Department.

The idea of holding a symposium on this important topic was first suggested by the Permanent Representative of India, Dr P.K. Das, Director General of Meteorology, at the Congress of the World Meteorological Organization in 1979. The proposal was enthusiastically supported by the countries of Africa and Asia. In recent years many countries in the tropics have been affected by droughts. A prolonged deficiency in rainfall has led to serious depletion in foodgrain production. In the Sahel region of North Africa, for example, there was acute deficiency of rainfall from 1968 to around 1973. It was estimated that the Sahel drought affected nearly 20 million people, of whom 1,00,000 lost their lives. Over a third of their cattle population perished in the drought.

In India, an early withdrawal of the monsoon caused distress in many States in 1979. In 1981 a few States of North-west India also suffered a deficiency of monsoon rainfall leading to difficulties in agricultural operations. The present symposium has discussed the meteorological features that lead to such rainfall deficiencies over different parts of the world. If such periods of deficiency could be anticipated in advance, foodgrains could be



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sent to the affected areas and the loss of lives could be prevented.

Development Administration

Mr S.B. Chavan, Union Minister of Planning and Deputy Chairman, Planning Commission, recently urged the administrators to strive continuously to implement the Sixth Plan programmes with a "sense of commitment and sincere zeal", as proper and timely implementation was vital in achieving the Plan objectives. The Planning Minister was inaugurating a course on Development Administration, organised by the Indian Institute of Public Administration. Nearly 30 participants from the States, representing different facets of administration, attended the course.

Defining the objectives of planning in India as self-reliance, self-sufficiency, removal of poverty and social justice, Mr Chavan said that the development process should result in restructuring of the social institutions, both in rural and urban areas. He said that though progress had been achieved, the benefits of development had not always reached the intended groups. Hence at times our development seemed lop-sided. He said that efforts were being made to reach the poorest of the poor through various programmes and schemes. In the earlier Plans, particularly in the rural areas, the programmes of SFDA, MFAL. DPAP are indicative of the effort to reach the underprivileged. "The programme of IRD is now a more comprehensive approach in trying to see that the benefits go to the people who are in greatest need."

Irrigation Projects of Tamil Nadu

The Planning Commission has approved the Vaniar Reservoir and Inchambadi Anicut projects of Tamil Nadu. Of these, the Vaniar project is estimated to cost Rs 5.60 crores and the Inchambadi project Rs 2.30 crores. According to the salient features, the Vaniar project envisages construction of an earthen dam across Vaniar river, a tributary of Ponniar river, in village Mullikadu of Dharampuri district of the State.

Houses for Plantation Workers

The Union Government has released two crores of rupees for the current year as Central assistance under the Subsidised Housing Scheme for Plantation Workers to four States. Out of this, the largest amount of Rs 1.40 crores has been given to West Bengal—Rs 80 lakhs as loan and Rs 60 lakhs as subsidy. An amount of Rs 46 lakhs—Rs 36 lakhs as loan and Rs 10 lakhs as subsidy—has been released for Assam. Tamil Nadu gets Rs 12 lakhs of which Rs seven lakhs will be loan and Rs five lakhs subsidy. A loan of Rs two lakhs has been sanctioned for Karnataka. The Subsidised Housing Scheme for Plantation Workers is at present being implemented in the States of Assam, Tripura, West Bengal, Karnataka Kerala and Tamil Nadu. The Sixth Five Year Plan provides an outlay of Rs five crores for the scheme which aims at building houses for at least eight per cent of the resident workers every year until all of them are adequately housed. No rent is charged from the employees.

Wells Fargo Bank

Wells Fargo Bank, NA, eleventh largest in the United States, announced recently it has received approval from the Indian banking authorities to open a representative office in Bombay. The office will primarily support and strengthen Wells Fargo's correspondent banking relationships in India, stated Mr A.K. Chaturvedi, the Bank's India representative, who will

The Delhi Cloth & General Mills Co. Ltd.

NOTICE

It is hereby notified for information of the public that The Delhi Cloth & General Mills Co. Ltd. proposes to give the Central Government in the Department of Company Affairs, New Delhi, a notice under sub-section(1) of Section 21 of the Monopolies and Restrictive Trade Practices Act, 1969, for substantial expansion of its activities. Brief partieulars of the proposal are as under :-

1. Name of person/body corporate owing the undertaking.	(I) The Delhi Cloth & General Mills Co. Ltd.
2. Capital structure of the applicant undertaking.	The Capital structure of The Delhi Cloth and General Mills Co. as on 30th June 1981.
	(I) Authorised Rs 50,00,00,000
	(II) Subscribed & paid up (a) Preference 1,67,23,550/- (b) Equity 19,67,32,663/-
	Total Rs. 21,34,55,913/-
3. Details of the proposed substantial expansion.	
(a) Names of new goods to be produced, supplied, controlled or distributed or of new services to be rendered.	Only a part of the existing licensed capacity (viz. 7000 TPA of Rayon Tyre Cord) will be utilised for production of 3000 TPA of Viscose Filament Rayon Yarn.
(b) In the case of substantial expansion of existing activities—	
(i) Name of goods	
(ii) Capacity before expansion	
(iii) Expansion proposed	
(iv) Location of the project for substantial expansion	Shriram Rayons Shriramnagar, KOTA (Rajasthan)
(v) Brief outline of the cost of the project, the scheme and sources of finance.	The estimated cost of the project is expected to be Rs 7.5 crores approx., which is proposed to be financed partly by Company's interral resources and partly by borrowings from financial institutions.

Any person interested in the matter may make a representation to the Secretary, Department of Company Affairs, Government of India, Shastri Bhawan, New Delhi within 14 days from the date of publication of this notice, intimating his views on the proposal and indicating the nature of his interest therein.

(S. RATNAM)
Executive Director

Regd. Offices Bara Hindu Rao, Delhi 110 006
Dated: this day of December 19, 1981.

manage the new Bombay office. The bank's customers in India had previously been served from Wells Fargo's Singapore branch. Wells Fargo with assets of $22.8 billion and more than 390 domestic branches, currently has international offices in 23 countries, including a branch and a merchant bank in London, branches in Buenos Aires, Milan Nassau, Singapore and Tokyo, a subsidiary in Hong Kong, and 16 representative offices worldwide. The bank also has Edge Act branches in New York and Miami and investment participations with approximately 18 overseas affiliates.

Indo-Portuguese Cooperation

The first Indo-Portuguese Cultural Exchange Programme was signed recently. This follows the Cultural Agreement between India and Portugal signed last year. The programme will be valid for a period of two years beginning from January 1, 1982. The programme covers a wide spectrum of activities in the fields of Education, Science, Art, Culture, Mass-Media, Sports end Public Health and seeks to explore areas of cooperation which would involve institutions, organisations and individuals in both countries in the task of developing mutual understanding amongst the people of the two countries in respect of each other's cultural heritage, cooperation between social and scientific institutions with the two Governments acting as catalysts in the process.

The main focus of the programme of cooperation centres around establishment of bilateral contacts and exchanges between Departments of Universities and Institutions of national importance and other institutions of higher learning in the two countries.

Gujarat State Financial Corporation

The Gujarat State Financial Corporation (GSFC) has evolved a strategy for development of industries in rural and semi-urban areas. The strategy includes identification of about 15 entrepreneurs at each centre, training them with the help of Centre for Entrepreneurship Development and to provide them co-ordinated assistance with the active help and support of other State Development Agencies. This was disclosed by Mr R.D. Shah, Chairman, GSFC while addressing the first State Advisory Committee which met in Ahmedabad recently.

The Gujarat State Financial Corporation has constituted the advisory committee at the state level consisting of representatives of Chamber of Commerce and Industry, Federation of Associations of Industries and representatives of local advisory committees constituted by the corporation at important industrial estates of GIDC in the State for the purpose of inviting suggestions from the captains of industries in regard to policies and procedures of the corporation and for identifying the areas and industries where the corporation could expand its activities. The corporation also solicited views as to how it could improve recovery of dues from the loanees with a view to ensure that it continues to play effectively its role in the industrial development of the State.

Mr Shah mentioned that the corporation has rendered financial assistance to over 14,000 industrial units with loans of over Rs 250 crores during the last 21 years of its funtioning. Of the total units assisted, 96 per cent are small scale which received 70 per cent of the loan sanctioned. The kackward areas received as much as 43 per cent of the total loans. It has plans to grant financial assistance of over Rs 324 crores during the next five years.

The Chairman also disclosed that GSFC has decentralised its functioning and has empowered its regional offices for sanctioning and disbursement of loans. Mr Shah added that the corporation is laying special emphasis on recovery of its dues which amounted to Rs 43 crores from units which are working well and not paying, he indicated that strict measures are being taken by the corporation to effect recoveries from such categories of loanees.

Names in the News

Mr B. Ramdas has joined Indian Farmers Fertiliser Cooperative Limited (IFFCO) as whole-time Finance Director. Mr Ramdas was earlier working as Executive Director (Finance) in IFFCO. A bachelor of commerce and member of various professional bodies, Mr Ramdas has brought with him rich and varied experience of over 16 years of working in different organisations when he joined IFFCO as Manager (Finance) in 1972. He was promoted General Manager (Finance) in 1977.

Mr B. Ramdas

Readers' Roundtable

Europe's Basket Case

Sir, This refers to your editorial note of December 18, 1981. Behind the workers' revolt that began in Poland in the summer of 1980 and which has now grown into a revolution on the shoulders of Solidarity lies a story of failure—the failure of Communism to deliver on its promise of a better life.

The revolt sprang from an unspoken consensus among many Poles that despite more than three decades of sacrifices and toil, conditions of everyday life were scarcely improving and that the Communist system has failed most dramatically in the realm of social welfare.

Appalling dirt and safety conditions in factories, cramped and unavailable apartments, sub-standard and sloppy health care, food shortage in general despite a stringent rationing system—these were the distinguishing traits of the people's Poland.

For years and years every one asked: how much coal is being mined: how much steel in being produced? But no one looked what it all meant for the life of the workers.

The party dogma that Poland was a workers' State, controlled by workers and for workers looked sham. Communist ideals of justice and equality were thrown by the wayside. There emerged a small group, the party bosses and moneyed elite who monopolised the privileges and indulged in most shame-faced corruption, against whom the workers turned with wrath and a sense of class revenge. A new class, the 'red bourgeoise' became the masters of Poland.

The national economy lost all values. Money supply exceeded material supplies by more than 30 per cent. Poland piled up a foreign debt of $27 billions.

Therefore you are quite correct that Poland's problems are economic and a military clamp-down is no solution.

Yours etc.

Aligarb Prof. J.G. Tiwari

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BHEL-Hyderabad manufactures not just compressors and drive turbines, but also reaction type multistage high speed industrial turbines to drive generators and boiler feed pumps.

In-house source of power

As a singular feature, there's special provision in the turbines for injection of steam, so that the excess steam in the network can be put to economical use for additional power generation. What's more, the steam required for the process can be obtained as an extraction from the turbine.

Advantages continue BHEL style

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It also manufactures turbines to such international standards as IEC, API, NEMA, VDI.

A unique feature from BHEL

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Some of BHEL-Hyderabad's customers

Rashtriya Chemicals and Fertilizers, Fertilizer Corporation of India, Hindustan Fertilizer Limited, National Fertilizers Limited, Indian Farmers Fertilizer Co-operative Limited, Gujarat Narmada Valley Fertilizers Company Limited are but a few of the clients that have taken from BHEL drive-turbines built on specifications of the world's leading consultants like Fertilizer (Planning and Development) India Ltd, Development Consultants India, Engineers India Ltd, Tata Consulting Engineers, Humphreys & Glasgow Ltd of UK, LINDE of West Germany, Pullman Kellogg of USA, Snamprogetti of Italy, Toyo Engineering, Japan, and UHDE of West Germany.

BHEL-Hyderabad has also won successive orders against tough international competition for a number of world bank aided projects in India.

The range

BHEL-Hyderabad today manufactures turbine generator sets of anything from 1.5 MW to 60 MW; voltages 440V to 11KV.

For further details please contact.

Sr. Manager, Commercial (Industrial Products)

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Forged Hand Tools Forge Ahead

FORGED HAND tools industry has made remarkable progress both in production and exports during the last few years. The production being labour-intensive in character is largely confined to the medium-scale sectors. Most of the units started with technical collaboration with leading tools manufacturers of the developed countries, so that there is a sound production base in the medium and small scale sectors

Forged hand tools include such tools as spanners, sockets, wrenches and their parts, pliers and hammers. There are at present 11 units in the organised sector manufacturing forged hand tools with an installed capacity of 16,750 tonnes. In addition a number of small scale units are producing a variety of forged hand tools.

The production in the organised sector during the last few years is given below:

Year	Quantity (Tonnes)
1975	6,868
1976	8,438
1977	10,226
1978	13,036
1979	13,308
1980	13,205

All the 11 large units are in the private sector. In fact Gedore, set up in collaboration with a West German company, is the largest and is a private limited company. In terms of location as the list here shows, Haryana and Maharashtra States dominate. Gedore has four units in Haryana, and Hindustan Everest Tools (collaboration with Dovidat of USA) is also in Haryana. But the third largest unit, Taparia Tools is in Nasik in Maharashtra. There are four other smaller units in Maharashtra. One unit each is located in Punjab, Uttar Pradesh and West Bengal.

Imports are restricted to some specialised items only and are estimated to be of the order of Rs 20 lakhs per annum. Exports during the last few years have increased rapidly, because most of the large units have obtained imported technology with foreign collaborations. Most of the big units are exporting a large part of their output. Exports during the last few years have increased from Rs 5 crores in 1973-74, Rs 12.18 crores in 1975-76 to Rs 25.21 crores in 1980-81. Engineering Export Promotion Council has projected that during the year 1981-82 the exports may more than double. Exports are directed mostly to advanced countries such as West Germany, USA, UK, France, Japan and many other developing countries in Africa and Asia.

This is an export oriented industry The major existing manufacturers are able to export 60-70 per cent of production. The other medium scale units are exporting 20-30 per cent of their production. In order to meet the large export potential, there is scope for creation of additional capacity.

The Government allows new large units to be set up only if they promise to export to the extent of 70 per cent to 100 per cent of their output. Foreign collaboration is allowed only if a specialised tool is not being taken up in the country already. Otherwise foreign collaboration is not encouraged.

Hand hammers, chisels, spaners wire cutters and similar items of tools for hand forging, blacksmith, carpentry and foundry are reserved for develodment in small scale sector.

Companies Manufacturing Handtools in Organised Sector

Company	Units	Items of Manufacture
Gedore Tools (India) Pvt. Ltd., New Delhi	Faridabad (3) Sonepat (3) Aurangabad	Bihexagonal ring spanners open end box spanners, double ended open jaw spanners, socks sets, pliers, side cutting Nipper, tubular box spanners, Allen key, etc.
Hindustan Everest Tools Ltd., New Delhi	Sonepat	Double open end spanners and heavy duty spanners, bihexagonal ring spanners, combination spanner, water pump pliers, etc.
Kumar Industries, Palghat	Palghat	Hammers, Bench vices
Taparia Tools Ltd, Nasik	Nasik	Screw drivers, double ended spanner, adjustable wrenches, ball pen hammers, punches, nail pullers, chisels, etc
Hindustan Tools and Forgings Pvt. Ltd., (Rajpura)	Patiala	Double open end spanners, pipe wrenches, water pump pliers, ring spanners, etc.
Snail Spanner (India) & Tools, Bombay	Bombay	Combination pliers, radio long nose plers, diagonal cutting nippers, end cutting nippers, bent nose telephone pliers etc.
Bombay Forging Pvt. Ltd., Bombay	Bombay	Spanners, Pliers
Precision Fasteners Ltd., Thana	Thana	Hexagonal wrencher (Allen keys)
Mascot (India) Tools Forgings, Ghaziabad	Ghaziabad	Open ended spanners, ring Spanners, combination spanners, water pump plier etc.
Hindustan Small Tools Pvt. Ltd., Calcutta	24 Parganas	Pliers, spanners, hammers
Echjay Industries Pvt. Ltd., Bombay	Bombay	Wrenches, pliers, spanners, hammers etc.

COMPANY AFFAIRS

Usha Alloys Debentures

THE SUBSCRIPTION list for the Issue of 1,50,000 13.5 per cent redeemable secured debentures of Rs 100 each for cash at par with a right to be offered to subscribe for three equity shares of Rs 10 each at a premium of Rs 5 per share for each such debenture held, by Usha Alloys & Steels Limited (UASL) will open on January 19, 1982 and will close on February 1, 1982 or earlier at the discretion of the Board of Directors of the company but not before January 22, 1982. Out of the total issue of 1,50,000 debentures, 10,000 debentures are reserved for preferential subscription by the Directors, their friends and associates and employees of the company subject to a maximum of 50 debentures per applicant. Further 50,000 debentures are reserved for preferential subscription by the equity shareholders subject to a maximum of (i) 5 debentures by the equity shareholders holding not more than 250 equity shares and (ii) 5 debentures for every 250 equity shares held (fractions being ignored) by the equity shareholders holding more than 250 equity shares.

Each debenture will be of the face value of Rs 100. The amount payable on application is Rs 50 and the balance of Rs 50 will be payable on allotment. Each debenture will carry the right to subscribe for 3 equity shares of Rs 10 each at a premium of Rs 5 within one year of allotment. (Market price of the equity shares on November 27, 1981 was Rs 40). In case of any bonus or rights issue before the offer of the shares as mentioned above, the number of equity shares to be offered shall be proportionately augmented and the amount of premium shall also be proportionately reduced.

The debentures will carry interest at 13.5 per cent per annum and an additional interest of one per cent if, for the immediately preceding financial year the company declares dividend on its equity capital at the rate exceeding 15 per cent. The debentures will mature for redemption at par on the expiry of 10 years from the date of their allotment.

With increasing operations of the company, the requirement of funds for working capital has increased. The issue is being made to augment the long term resources of the company for working capital.

Pioneering Role

UASL was incorporated on December 1, 1971 in the State of West Bengal with its registered office at Calcutta. It was promoted by Usha Martin Black Limited, the largest manufacturers and exporters of Steel Wire Ropes in India. UASL manufactures high/low carbon alloy steel billets at its plant at Jamshedpur and with the production of stainless steel and other popular grades of forging quality steel UASL has already entered sophisticated high quality steel market. With the commissioning of Ladle Injection Equipment on May 21, 1981 at the company's Adityapur works. UASL has successfully implemented the Ladle metallurgy for the first time in India in technical collaboration with M/s. OVAKO OY AB, Finland. In 1975-76 UASL had acquired a Rolling Mill at Agra which manufactures rolled products for use in construction activities etc.

Tata Chemicals Bonds

Tata Chemicals proposes to convert its 7.14 per cent cumulative preference shares each into non-convertible redeemable bonds with maturity period of 12 years. The bonds will carry an interest of 13.5 per cent per year and an additional interest of one per cent if the equity dividend exceeds 19.5 per cent in the preceding year. Announcing this at the annual meeting of the company, its Chairman, Mr J.R.D. Tata stated that this proposal would be placed before the share holders shortly.

Referring to the performance of the company during the five month period of the current year, he said that profits during the period were more than that in the corresponding period of the previous year. But this comparison "was not really meaningful" since the plant of the company was shut down last year for a long time.

He said that the productivity during the five months had shown a rise of about 30 per cent but the sales had gone down because of the Government's policy to import soda ash when the commodity was available in the country in adequate quantity. Because of the soda ash glut in the market, the company's stocks of the commodity had gone up from 12,000 to 15,000 tonnes. The sales had gone down to about 119,000 tonnes in the five months compared to 136,000 tonnes in the previous five months.

He said that the cost structure was on the increase because of the increase in freight by the Government, the growth in the rate of inflation and the floods which compelled the company to buy about four lakh tonnes of salt. These three factors increased the cost burden of the company by about Rs 9 crore.

He said that the company was keen on entering the area of fertilisers and it had registered with the Government. "its positive interest in a large gas-based nitrogenous complex in UP and a phosphatic fertiliser complex in Saurashtra". The company would go to capital market for raising convertible bonds.

Crescent Dyes and Chemicals

Crescent Dyes and Chemicals Ltd concluded the year ending September 30, 1981 with higher sales turnover of Rs 4145 lakh, compared to Rs 3810 lakh in 1980. After providing Rs 49.50 lakh for taxation the net profit stood at Rs 39 lakh compared to Rs 57 lakh in 1980.

Although sales of dyes and textile auxiliaries were higher by nine and 10 per cent, respectively, than the levels achieved last year, the profit margin of these products were lower due to intense competition. Sales of heat treatment salts and thinners registered marginal improvement, but due to lower demand there was a substantial fall in both production and sales of polythene extrusion products.

Interest costs were higher due to increase in interest rates charged by banks and higher working capital requirements resulting from cost escalations.

Government has issued a letter of intent to the company for manufacture of 2500 tonnes per annum of methyl chlorosilanes with partial conversion to silicone intermediates and selected finished products.

Bajaj Electricals

Mr R. P. Nevetia, Chairman of Bajaj Electricals informed the shareholders recently that the company's sales for the first five months of the current year were Rs 15.81 crore compared to Rs 12.42 crore for the corresponding period in the previous year.

The Chairman said that the company expected to complete the formalities for converting its deferred shares into ordinary shares as per the decision of the mediator. The proposed ratio of conversion is one fully paid ordinary share of Rs 100 each or every deferred share of Rs 10 each. As per High Court order, the separate meetings of the ordinary as well as deferred shareholders are scheduled on February 16, 1982 to consider the scheme of conversion. The necessary application to the Controller of Capital Issues is also being made.

CAFI

Chemicals and Fibres of India has earned a higher gross profit of Rs 3.18 crore for the year ended September 30, 1981 against Rs 1.59 crore for the previous year. Its turnover has increased to Rs 65.61 crore from Rs 43.40 crore.

The Directors have proposed to maintain the equity dividend at 10 per cent for the year. The company's profit after tax amounts to Rs 76 lakh against Rs 45 lakh after providing Rs 124 lakh (Rs 104 lakh) for depreciation and Rs 118 lakh (Rs 10 lakh) for taxation. A sum of Rs 19 lakh is transferred to the investment allowance reserve.

ACC

The Associated Cement Companies Ltd (ACC) produced 21.79 lakh tonnes of cement during the current year (from August 1 to December 15) compared to 21.12 lakh tonnes for the same period last year, the Chairman of the company, Mr Nani A. Palkhivala told shareholders at the 45th annual general meeting held in Bombay.

Mr Palkhivala said the company's cement manufacturing activities during the year under review resulted in a loss of Rs 3.50 crore but on account of profit made from the non-cement activities of the company, a profit of Rs 1.95 crore was the result. Out of the 17 plants, 12 ran at a loss of Rs 13.74 crore whereas the remaining plants made a profit of Rs 10.24 crore. He deplored the irrational price structure of cement when the commodity was selling at a premium of around 300 per cent in the black market. The company thus got a post-tax return on net worth of less than one per cent.

During the current year the demand for cement will be 28 million tonnes against the industry's production of about 21 million tonnes. This would thus leave plenty of profit for the black marketeers, Mr Palkhivala said.

The company is losing Rs 11.20 per tonne of cement produced because of the irrational coal pricing. The wet process plants consume more coal than the dry process ones and 60 per cent of ACC cement is being produced by the wet process, thereby incurring recurring losses, he said. The company has appealed to the Delhi High Court for review of the price escalation, Mr Palkhiwala stated.

Regarding the company's Pakistan factory sold in 1965, he said the Bombay High Court has decreed in favour

NEW ARRIVALS September 1981

GOVERNMENT OF INDIA -PUBLICATIONS

S. No.	Title	Price
1.	Annual Survey of Industries 1973-74 (Census Sector) (in 10 volumes). Vol. VI. (Print 1981). PDIS.75.73.74.VI.	Rs. 124.50
2.	Statistical Pocket Book India 1979. (Print 1980). PCSO.5.79	Rs. 30.00
3.(*)	Trade Marks. Twenty-Second Annual Report for the Controller General of Patents, Designs and Trade Marks under Section 126 of the Trade and Merchandise Marks Act, 1958 (43 of 1958) for the year 1980-81. (Print 1981) PP&D. 7.80-81 (Eng.).	Rs. 3.85
4.	Customs Tariff Working Schedule as on 15th May, 1981. (Print 1981). PDSI.2.81	Rs. 47.00
5.	Civil List of the Indian Administrative Service as on the Ist January 1981 . (Print 1981) PDP 6.81	Rs. 84.00
6.	Handbook of Indigenous Manufacturers (Chem. and Misc. Stores). (Print 1981). PEDC.2.XIII.	Rs. 17.50
7.	Report on the General Elections to the House of the People and Legislative Assemblies 1979-80 and Vice Presidential Elections 1979. Vol. I. (Narrative). (Print 1980). PECI. 74.	Rs. 10.00
8.	Report on the Seventh General Elections to the House of the People in India 1980. Vol. II. (Statistical). (Print 1981). PECI.75.	Rs. 21.00
9.	Proceedings of Workshop on Geological Aspects and Mineral Potential of Himachal Pradesh Held on December 24-25, 1976 at Nahan, H.P. (Print 1981). PGSI.121.	Rs. 11.00
10.	Notes on Office Procedure. Aids to Office Management. (Print 1981). PSTS 31 (Diglot).	Rs. 19.05
11	Rural Labour Enquiry 1974-75 Final Report on Employment and Un-employment of Rural Labour Household (Part I). (Print 1981). PDLB.203.III	Rs. 64.00
12.	Examination of Biological Stains. (Print 1980).PHD. 333	Rs. 21.00
13.	Identification of Firearms, Ammunition and Firearms. (Print 1981). PHD. 335	Rs. 26.00
14	Index to Indian Medicals Periodicals July-September 1977. (Print 1981). PDGHS. 58.VII.7 9.77	Rs. 123.00
15.	Census of India 1971. Series 2. Andhra Pradesh. Pt IX. Census Atlas. (Print 1981). PRG.16.71 (Andhra) (N).	Rs. 30.00
16.	Census of India 1971. Series 21. Pt. IX. Census Atlas of Uttar Pradesh. (Print 1979). PRG.20.71 (UP)(N)	Rs. 223.00
17.	List of Members of Rajya Sabha showing Permanent and Delhi Addresses and Telephone Numbers, 14th August 1981 (Print 1981) PRS.52.	Rs. 2.00

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of the company and awarded Rs 2.72 crore to be paid to it. Mr Palkhivala also expressed satisfaction at the company's being selected as consultants and cement manufacturers for a cement plant set up in Saudi Arabia. The company is also thinking of diversifying into other non-cement activities, preferably in shipping, he said.

OCM's Modernisation Plan

OCM has launched an ambitious modernisation-cum-expansion programme for its mills at Amritsar at a total cost of Rs. 4.5crore. Announcing this to recently in Ahmedabad the Chairman of the company, Mr B. Rakesh, said that of this about Rs 2 crore worth machinery has already been installed. Additional machinery worth Rs 2.5 crore, which was being imported, would help the completion of the remaining 50 per cent of the project. He said the project would be implemented before the end of 1982.

Mr Rakesh said that OCM has bagged a large size Soviet order for export of woollen blankets and suiting worth Rs 3 crore. He said that his mill was not facing any problem regarding any financial stringency or stockpiling of inventory. He said that his company exported suitings, blankets and carpets traditionally to the UK, Europe, Japan and the US.

Mr Rakesh further said that after modernisation the installed capacity of the mill would increase by about 20 per cent to Rs 32 crore annually from the present Rs 25 crore.

Established in 1924 primarily for manufacturing hand knitted carpets formely a British unit known as Oriental Carpet Manufacturers was Indianised through public subscription of shares in 1972. Since then this public limited company has come a long way off. Its annual turnover has risen to Rs 25 crore in 1980-81 from a mere Rs 2.5 crore in 1972. The company has also diversified into manufacturing many varieties of sophisticated fabrics and has emerged as a leading exporter of fine and superfine suitings, tweeds, carpets, shawls and blankets.

Unis-Usha Martin

Unis-Usha Martin Black Project for the manufacture of steel wire ropes and strands at Visegrad, near Sarajevo, Yogoslavia is likely to go on stream in June 1982, according to sources close to Usha Martin Black Limited.

Unis, a highly progressive group of companies, is among the 10 largest manufacturing organisations in Yugoslavia. The group employs over 33,000 people and has developed nearly 300 types of technologies for the manufacture of its diverse range of 700 products—from automobile and explosives to telecommunication equipment and chemicals.

Mr Abaz Deronja, Chairman Unis, is now in India with two-fold purpose : first, to attend the board meeting of the joint venture of Unis and Usha Martin Black and also to explore the possibility of new ventures between the two countries.

Mukand Iron

Mukand Iron and Steel Works hopes to achieve a turnover of Rs 150 crore during the current year ending on March 31, 1982 against Rs 118 crore in the previous year.

According to Mr Viren J. Shah, Chairman, the company's sales will increase to about Rs 200 crore on completion of the current modernisation programme in about two years. The company's profits are also expected to show a significant improvement

The company is entering the capital market on January 15, 1982 with 3.5 lakh convertible secured debentures of Rs 200 each to raise a sum of Rs 7 crore to meet a part of the finance for its modernisation programme.

The modernisation will be implemented in two phases. The first phase involving a capital expenditure of Rs 14 crore is expected to be completed by June 1983 and will involve the setting up of a large refining and vacuum oxygen debenturising unit with facilities for refining under vacuum, installation of a bloom caster to cast blooms of up to 250 sq. mm. and rehabilitation and modernisation of the bar mill besides installing of balancing and quality control equipment. The commissioning of the first phase will implant in addition to upgrading the quality of products.

The second phase, estimated to cost Rs 6 crore would be financed through institutional loans and internal accruals. The second phase consists of setting up of captive oxygen plant, in addition to beat treatment facilities and balancing equipment and will be implemented in 1983-84.

After the proposed modernisation the company's steel production would go up to 15,000 tonnes from 3,284 tonnes and that of alloy steel as well as of special steels from 10,237 tonnes and 30,202 tonnes to 30,000 tonnes and 45,000 tonnes respectively.

The company has applied for a licence to set up a sponge iron plant of 2 lakh tonnes capacity and doubling its billet making capacity. This is proposed to be met by borrowings and internal accruals.

India Carbon

India Carbon Ltd has fared well for the year ended June 1981. Sales are up from Rs 9.08 crore to Rs 14.66 crore and the pre-tax profit has risen from Rs 67.38 lakh to Rs 86.05 lakh, after providing Rs 14.08 lakh (Rs 13.57 lakh) for depreciation. Providing Rs 49.70 lakh (Rs 40.50 lakh) for taxation and Rs 2.36 lakh (nil) for investment allowance, net profit comes to Rs 33.99 lakh (Rs 26.88 lakh). After taking into account Rs 5.81 lakh (nil), being the refund of income-tax, there is a profit of Rs 39.79 lakh (Rs 26.88 lakh) available for appropriation. A taxable ordinary dividend of 20 per cent (18 per cent) has been declared. Allocations include Rs 25.86 lakh (Rs 23.46 lakh) for proposed dividend (subject to tax) and

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Upper Ganges Sugar Mills Limited

NOTICE

Notice is hereby given that the Forty-ninth Annual General Meeting of Upper Ganges Sugar Mills Limited will be held on Tuesday, the 29th December, 1981 at 3.00 P.M. at 9/1, R.N. Mukherjee Road, Calcutta-700 001, for the following purposes :—

1. To receive and consider the Report of the Directors and to adopt the Audited Accounts of the Company for the year ended 30th June, 1981.
2. To declare dividends.
3. To elect Directors in place of Shri K.K. Birla, Shri Sudhir Jalan and Shri G.K. Bhagat who retire by rotation and being eligible offer themselves for re-election.
4. To appoint Auditors and fix their remuneration.

By Order of the Board
S.K. Poddar
Secretary.

9/1, R.N. Mukherjee Road,
Calcutta-1, the 1st December,
1981.

NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.
2. The Register of members of the Company will remain closed from the 22nd December, 1981 to the 29th December, 1981, both days inclusive.
3. Members are requested to notify immediately any change in their address to the Company.
4. Declarations in Form '14-B' under Income Tax Rules, 1962 read with Section 194 of the Income Tax Act, 1961, to be effective must reach the Company on or before 22nd December, 1981.

Rs 13.93 lakh (Rs 3.42 lakh) for general reserve.

Wood Polymer

Wood Polymer have shown improved results for the year ending June 30, 1981, with its gross profit amount to Rs 60.26 lakh against a profit Rs 60.54 lakh for the previous 15 month.

Its sales have amounted to Rs 8.56 crore against Rs 9.18 crore.

Pasupati Spinning

Pasupati Spinning and Weaving Mills Ltd is issuing 9,70,000 equity shares of Rs 10 each at par. The subscription list will open on January 4, 1982 and close on January 15, 1982 or earlier at the discretion of the Board of Directors, but not before January 6, 1982.

The company envisages setting up of a spinning mill for the manufacture of staple and synthetic blended yarn in various counts and blends with an initial installed capacity of 15,360 spindles against registered capacity of 25,000 spindles.

The company has been promoted by Jain Group who are instrumental for promotion and management of a number of companies including Jain Tube Co. Ltd, Ajanta Tubes Ltd, Jain Shudh Vanaspati Ltd, Shiva Paper Mills Ltd, Hindustan Breweries & Botling Ltd, Jain Exports Pvt Ltd, Chemopulp Tissues Ltd. etc.

The company's requirement of raw materials will be polyester, viscose and acrylic fibres which are indigenously available. Imports are also allowed under OGL.

Trial runs have been carried out successfully and partial commercial production has already commenced. The company is scheduled to achieve its 65 per cent capacity utilization in the very first year of operation with a turnover of Rs 7 crores. Full capacity in the 3rd year of operation is expected to be achieved with a turnover of Rs 11 crores.

The unit having been established in a backward area will be eligible to get the benefits of concessional rate of interest and commitment charges on term loans from the financial institutions. The company is entitled for central cash subsidy of Rs 15 lakhs. All the tax benefits as available to the new units shall also be available to the company.

Capital and Bonus Issues

The Union Government has allowed the following companies to raise their capital. The details are as follows:

(A) Bonus Issue

Synbiotics Limited is to raise Rs 75 lakh in fully paid equity shares of Rs 1000 each in the ratio of 1:1.

Techno Economic Services Pvt Ltd will raise Rs 1 lakh in fully paid equity shares of Rs 100 each in the ratio of 1:1.

Sundram Fasteners Limited is to raise Rs 65,33,330 in fully paid equity shares of Rs 10 each in the ratio of 2:3.

R. Gas Electrodes Limited is to raise Rs 1.80 lakh in fully paid equity shares of Rs 10 each in the ratio of 1:5.

Super Structures Pvt Ltd is to raise Rs 1,50,400 fully paid equity shares of Rs 100 each in the ratio of 1:1.

(B) Further Issue:

Essar Bulk Carriers Limited has been permitted to issue equity shares of Rs 75 lakh for cash at par on right basis.

Bansware Fabrics Limited is to raise Rs 55 lakh in equity shares of Rs 10 each.

Mafatlal Engineering Exports Ltd has been permitted to issue equity shares worth Rs 4 lakh for cash at par on right basis.

Vardhman Spinning & General Mills Limited has been permitted the issue of secured convertible debentures of the total value of Rs 200 lakh.

Modi Alkalies and Chemicals Limited is to issue equity shares worth Rs 875 lakh for cash at par. Of this Rs 398 lakh will be offered to the public.

Indicarb Limited has been allowed to issue equity shares worth Rs 48.33 lakh for cash at par on right basis.

DEPARTMENT OF ATOMIC ENERGY
Directorate of Purchase and Stores

On behalf of the President of India, the Director, Directorate of Purchase and Stores, Department of Atomic Energy, Bombay-400 001 invites tenders as detailed below:

1. DPS : BARC : MTL : 5713 due on 27.1.82. Electrolytic pure copper busbars in different sizes as per tender specification. Qty. 520 Mtrs.

2. DPS : BARC : ENG : 15267 due on 27.1.82. Heavy duty floor plates casted with sufficient machining allowance as per drawing and tender specifications. Qty. 50 Nos.

3. DPS : BARC : MIA : 15787 due on 27.1.82. Prefilters 610×610×293 mm having air flow 1700 Qu-M/hr and pressure drop less than 6 mm WG. Qty. 80 Nos.

4. DPS : HWP : IEE : 182 due on 28.1.82. Precision mass spectrometer for the measurement of Deuterium present in hydrogen, ammonia synthesis gas, ammonia, water and other hydrogenated compounds as per purchaser's specification. Qty. 1 No.

5. DPS : BARC : PDS : IEE : 81 due on 28.1.82. High voltage electron beam welding equipment with extremely stable beam properties for precision welding purpose with accessories as per purchaser's specification. Qty. One Unit.

6. DPS : BARC : MTL : 5711 due on 28.1.82. Aluminium bronze plates in different sizes as per tender specification. Qty. 22 Nos.

7. DPS : BARC : IEE : 3902 due on 29.1.82. Mark/Hole reading type card recorder having input power 220 V a.c. 50 Hzs as per purchaser's specification. Qty. 2 Nos.

8. DPS : NFC : FAB : 164 due on 29.1.82. Manufacture and supply of hot working rolls for 2 HI/4 HI combination rolling mill, made of O-Hio Nioloy 2 double poured iron with high strength core metal, with a body hardness of 75 to 80 shore 'C' seeleroscope as per purchaser's tender document.

9. DPS : BARC FAB : 249 due on 29.1.82. Fabrication, inspection, testing, delivery and guarantee of Drive Assembly as per purchaser's tender document.

10. DPS : BARC : IEE : 3913 due on 29.1.82. Semi-automatic subsieve particle size analyser as per purchaser's specification. Qty. 1 No.

11. DPS : NFC : ENG : 475 due on 30.1.82. Chrome leather and asbestos hand gloves as per tender specifications. Qty. 7,000 Pairs.

12. DPS : NFC : MIA : 521 due on 30.1.82. Electrically heated pit type two zone furnace complete with control panels, temp. recorder etc. Temp. 950°C with working space of 1900×1250×1300 mm. Qty. 2 Nos.

13. DPS : BARC : IEE : 3909 due on 30.1.82. Multipoint capacitance type autocalibrating solid state moisture monitor to measure moisture in the range of 0 to 1000 ppm water as per purchaser's specification. Qty. Two units along with four spare sensors.

14. DPS : BARC : IEE : 3896 due on 30.1.82. Design, manufacture, inspection, testing, delivery and guarantee of target type Flow meter and accessories with (a) Maximum flow : 7000 LPM (b) Maximum flow : 1000 LPM as per purchaser's specification. Qty. 1 No. each.

15. DPS : BARC : IEE : 3301 due on 2.2.82. Daisy wheel printer cum terminal having printing speed upto 40 line per minute as per purchaser's specification. 2 Nos.

16. DPS : RRC : IEE : 1057 due on 3.2.82. 6½ digit digital multimeter as per purchaser's specifications. One.

17. DPS : PREFRE : IEE : 50 due on 3.2.82. Electronic analytical balance for remote operation—3 Nos. and Electronic top loading platform balance for remote operation as per purchaser's specification. 1 No.

18. DPS : RRC : IEE : 1056 due on 4.2.82. 5½ digit digital multimeter with automatic self testing and full remote control as per purchaser's specification. One.

Tender documents priced Rs. 10 each for items 3, 7, 13, 14, 15 and 18; Rs. 25 each for items 6, 8 to 12, 16 and 17; Rs. 30 for item 1; Rs. 50 for item 2; Rs. 100 each for items 4 and 5 and General conditions of contracts priced 50 P. to all items except items 8 and 9 can be had from the *Finance and Accounts Officer, Department of Atomic Energy, Directorate of Purchase and Stores, 3rd Floor, Mohatta Building, Palton Road, Bombay-400 001*, between 10 a.m. to 1 p.m. on all working days except on Saturdays. Import Licence will be provided only if the items are not available indigenously to all items except items 1, 3, 9 and 12. Tenders will be received upto 3 p.m. on the due date shown above and will be opened at 4 p.m. on the same day. The right is reserved to accept or reject lowest or any tenders in part or full without assigning any reasons.

RECORDS AND STATISTICS

Wholesale Price Movements

Major Group/Group	Weight in relation to 'All Commodities'	Index Number of Wholesale Prices (Base : 1970-71=100) for the week ending: 5-12-81 Latest week (Provisional)	18-11-81 A week ago (Provisional)	7-11-81 4 weeks ago (Provisional)	10-10-81 8 weeks ago (Final)	6-12-80 A year ago (Final)	Percentage Variation over: A week	A month	Two months	A year
ALL COMMODITIES	**1000.00**	**277.7**	**278.5**	**280.3**	**286.3**	**258.4**	**—0.3**	**0.9**	**—3.0**	**7.5**
I. Primary Articles	**416.67**	**263.9**	**264.1**	**265.3**	**270.9**	**241.1**	**—0.1**	**—0.5**	**—2.6**	**9.5**
(a) Food Articles	297.99	235.9	235.9	237.5	239.8	212.4	—	—0.7	—1.6	11.1
(b) Non-food Articles	206.21	236.2	236.9	237.4	247.1	220.0	—0.3	—0.5	—4.4	7.4
(c) Minerals	12.47	1,167.9	1,167.9	1,167.9	1,216.6	1,108.3	—	—	—4.0	5.4
. Fuel, Power, Light and Lubricants	**84.59**	**437.5**	**437.5**	**437.5**	**437.5**	**357.5**	—	—	—	**22.4**
I. Manufactured Proudcts	**498.74**	**262.1**	**263.6**	**266.1**	**273.6**	**256.3**	**—0.6**	**—1.5**	**—4.2**	**2.3**
(a) Food Products	133.22	269.2	274.6	284.8	311.8	298.8	–2.0	—5.5	—13.7	—9.9
(b) Beverages, Tobacco and Tobacco Products	27.08	218.9	218.9	218.9	218.9	214.2	—	—	—	2.2
(c) Textiles	110.26	223.1	223.7	223.8	224.1	213.2	—0.3	—0.3	—0.4	0.6
(d) Paper and Paper Products	8.51	278.8	278.8	278.8	278.3	267.5	—	—	—	4.2
(e) Leather and Leather Products	3.85	366.2	362.7	372.4	372.4	386.0	1.0	—1.7	—1.7	—5.1
(f) Rubber and Rubber Products	12.07	287.0	287.0	287.0	287.0	255.2	—	—	—	12.5
(g) Chemicals and Chemical Products	55.48	261.4	261.5	260.2	261.0	246.9	Negl.	0.5	0.2	5.9
(h) Non-metallic Mineral Products	14.15	313.9	313.9	313.4	314.9	281.4	—	0.2	—0.3	11.5
(i) Basic Metals, Alloys and Metal Products	59.74	311.5	311.6	310.7	311.2	269.5	Negl.	0.3	0.1	15.6
(j) Machinery and Transport Equipment	67.18	264.6	264.6	263.9	264.6	243.5	—	0.3	—	8.7
(k) Miscellaneous Products	7.20	240.6	240.6	239.2	239.2	236.7	—	0.6	0.3	—1.6

Negl.=Less than ± 0.05 per cent.

Source Office of the Economic Adviser, Ministry of Industry, Government of India.

Movements in Consumer Prices : 1975-1981

(Monthly Averages or Calendar Months) (Index Numbers with Base: 1960=100)

Year/Month	For Industrial Workers					For Urban Non-manual Employees				
	All-India*	Bombay	Calcutta	Delhi	Madras	**All-India****	Bombay	Calcutta	Delhi— New Delhi	Madras
1975-76	**313**	300	287	333	314	**277**	246	243	273	**306**
1976-77	**301**	298	297	332	288	**277**	255	251	274	**294**
1977-78	**324**	318	320	358	311	**296**	269	265	288	311
1978-79	**331**	325	331	368	318	**306**	285	279	305	321
1979-80	**360**	359	351	389	350	**330**	315	297	321	350
1980-81	**401**	400	382	426	388	**369**	347	331	352	390
September, 1980	**402**	391	395	430	381	**370**	345	339	355	385
October, 1980	**406**	400	393	438	388	**375**	356	342	357	389
November, 1980	**411**	402	397	436	398	**378**	354	346	359	397
December, 1980	**408**	408	379	430	404	**376**	353	341	355	405
January, 1981	**411**	409	379	434	403	**378**	352	339	359	405
February, 1981	**418**	420	384	434	409	**382**	357	343	361	411
March 1981	**420**	423	385	438	410	**385**	359	345	367	412
April, 1981	**427**	435	397	448	412	**391**	372	348	372	414
May, 1981	**433**	442	399	453	420	**396**	377	353	377	420
June, 1981	**439**	450	406	461	428	**401**	380	358	383	426
July, 1981	**447**	459	408	476	452	**411**	387	364	397	434
August, 1981	**454**	462	412	480	457	**417**	394	368	408	440
September, 1981	**456**	458	423	480	455	**418**	396	372	403	441
October, 1981						**420**	400	376	402	445

*Based on indices of 50 centres. **Based on indices of 45 centres.

Sources : Labour Bureau (Ministry of Labour), Government of India and CSO, Ministry of Planning, Government of India.

Index Numbers of Industrial Production: 1975-1981

(Monthly Averages or Calendar Months) (Base: 1970 = 100)

Year/Month	Source Classification				Use-based Classification*						Input-based Classification*			Sectoral Indicators*	
								Consumer Goods Industries							
	General Index (Crude)	Mining and Quarrying	Manufacturing	Electricity	Basic Industries	Capital Goods Industries	Intermediate Industries	Total	Durable Goods	Non-durable Goods	Agro-based Industries	Metal-based Industries	Chemical-based Industries	Transport Equipment & Allied Industries	Energy Output@
Weight	100·00	9·69	81·08	9·23	32·28	15·25	20·95	31·52	3·41	28·11	33·68	21·93	12·86	10·79	18·51
1975	**119·2**	127·9	116·0	138·6	129·0	130·1	113·7	107·4	106·0	107·6	106·1	123·1	128·9	116·1	132·0
1976	**133·7**	136·8	130·3	160·3	147·5	143·8	122·2	118·4	120·0	118·2	112·2	135·4	151·0	132·6	146·6
1977	**138·3**	139·9	135·1	165·4	155·0	151·7	125·8	126·0	137·0	124·6	114·8	144·8	161·4	130·9	151·4
1978	**147·8**	142·2	144·4	183·6	162·4	156·8	135·8	138·3	147·9	137·1	124·5	154·3	177·8	132·0	163·1
1979	**149·5**	148·5	144·7	193·0	166·2	161·0	139·6	135·3	156·8	132·7	121·6	157·7	183·2	134·6	171·6
1980	**150·6**	144·2	146·1	197·3	164 6	168·4	140·7	135.9	162·3	132·7	125·3	162·2	178·8	136·6	171 0
March, 1981	**176·2**	201·0	167·6	225·9	206·3	217·0	144·5	149·2	166.7	147·1	134·0	197·6	202·0	163·4	213·7
April, 1981	**156·2**	160·0	148·6	219·1	180·9	162 0	143·8	138·2	164.2	135·1	125·6	159·2	189·8	136·8	188·9
May, 1981	**156.0**	159·0	149·9	223·0	183·7	163 1	145·6	137·1	161·0	134·2	125·5	159·5	196·4	141·4	193·1
June, 1981	**157.3**	159 0	150·6	213 7	182·8	164·6	143·3	138·3	164·3	135·2	126·9	160·3	194·7	147·6	187·8
July, 1981	**162·9**														
August, 1981	**161.8**														
A year ago†	**148·4**	130·0	138·6	176·5	150·9	161·0	136·0	126·1	162·5	121·7	117·6	156·1	167·4	131·3	155·7

Note:—Figures for the *last three* months are provisional and *generally* subject to revision. *Derived series (R.B.I. Classification). Revisions are carried out in the group indices as and when advised by the C.S.O. @Consists of coal and lignite, petroleum crude and products, and electricity.

†Figures in this row relate to that month in the previous year corresponding to the latest month for which data are presented.

Original Source: Central Statistical Organisation.

Statement of Affairs of the Reserve Bank of India : 1977-78 to 1981

(Issue and Banking Departments Combined) (Rs. Crores)

As on last Friday/ Friday	LIABILITIES: Notes in Circulation	Deposits: Total	Deposits: Of which Central and State Governments	Deposits: Of which Scheduled Commercial Banks	Other Liabilities	Total Liabilities/ Assets 1+2+3 = Total 5 to 11	ASSETS: Foreign Exchange Assets[1]	Gold Coin and Bullion	Government of India Rupee Securities	Loans and Advances: Total	Loans and Advances: Of which State Governments[2]	Loans and Advances: Of which Scheduled Commercial Banks	Bills Purchased and Discounted	Investments	Other Assets[3]
	(1)	(2)	(2a)	(2b)	(3)	(4)	(5)	(6)	(7)	(8)	(8a)	(8b)	(9)	(10)	(11)
1977-78	8,602	6,287	2,771	1,674	2,927	**17,816**	3,889	193	6,645	2,106	402	331	2,809	1,077	1,096
1978-79	10,267	4,876	723	2,634	3,222	**18,365**	4,655	219	7,366	2,352	170	546	1,675	852	1,246
1979-80	11,820	5,863	710	3,634	4,169	**21,852**	4,782	225	8,891	2,780	191	739	2,516	1,255	1,404
1980-81	13,733	6,520	789	4,092	5,108	**25,361**	4,320	226	11,110	3,504	599	589	3,162	1,593	1,446
June, 1981	14,436	6,044	71	4,517	5,487	**25,967**	3,932	226	11,820	3,656	1,042	564	2,826	2,036	1,471
July, 1981	14,445	8,783	2,268	5,006	5,144	**28,372**	3,932	226	11,820	3,674	1,013	546	5,236	2,036	1,448
August, 1981	13,586	8,797	2,531	4,543	5,251	**27,634**	3,436	226	13,032*	3,445	697	562	4,980	351**	2,164
September, 1981	13,545	6,974	800	4,709	5,376	**25,895**	3,319	226	12,835*	3,630	762	586	4,237	360**	1,288
October, 1981	14,350	6,277	60	4,750	5,669	**26,296**	3,244	226	15,648*	4,123	1,129	625	1,406	370**	1,280
November 6, 1981	14,536	6,269	62	4,742	5,710	**26,515**	3,246	226	15,511*	3,927	965	592	1,940	348**	1,319
November 13, 1981	14,509	6,302	67	4,776	5,752	**26,563**	3,081	226	16,179	4,027	1,047	615	1,324	349**	1,378
November 20, 1981	14,264	6,341	66	4,819	5,791	**26,396**	3,144	226	14,875*	4,067	1,079	601	2,485	322**	1,277
November 27, 1981	14,102	6,087	78	4,584	5,808	**25,997**	3,121	226	15,298*	4,111	1,137	572	1,650	323**	1,269
December 4, 1981	14,331	6,750	75	4,897	5,924	**27,003**	3,417	226	15,862*	4,282	1,232	599	1,574	333**	1,308
A year ago	13,066	5,786	78	4,139	4,435	**23,287**	4,542	226	11,817*	2,893	329	491	2,072	365**	1,372

[1] Foreign securities plus balances held abroad. The latter includes cash, short term securities and fixed deposits. [2] Including temporary overdrafts. [3] Including rupee coins and Government of India one rupee notes. * Including *ad-hoc* treasury bills. ** Includes investments in foreign shares/bonds but excludes those in rupee securities.

All Scheduled Commercial Banks* —Business in India : 1977-78 to 1981

(Amounts in Rs. Crores)

As on last Friday/ Friday	Deposits: Demand	Deposits: Time	Deposits: Aggregate (1a+1b)	Borrowings from Reserve Bank[1]	Cash in hand and Balances with Reserve Bank[2]: Cash in hand	Cash in hand and Balances with Reserve Bank[2]: Balances with Reserve Bank[2]	Cash in hand and Balances with Reserve Bank[2]: Total 3a+3b	Investments: Government Securities[3]	Investments: Other Approved Securities	Investments: Total (4a+4b)	Bank Credit[4]: **Total**	Bank Credit[4]: *Of which* Food Credit	Select Ratios (in per cent): Cash to Deposit	Select Ratios (in per cent): Investment to Deposit	Select Ratios (in per cent): Credit to Deposit	Select Ratios (in per cent): **Food Credit to Total Bank Credit**
	(1a)	(1b)	(1) =	(2)	(3a)	(3b)	(3)	(4a)	(4b)	(4)	**(5)**	(5a)	(6)	(7)	(8)	**(9)**
1977-78	4,872	17,340	**22,212**	331	469	1,674	**2,143**	5,907	1,990	**7,897**	**14,939**	1,984	9·65	35·55	67·26	**13·28**
1978-79	5,826	21,190	**27,016**	546	557	2,634	**3,191**	6,621	2,488	**9,109**	**17,795**	2,210	11·81	33·72	65·87	**12·42**
1979-80	6,643	25,116	**31,759**	739	616	3,634	**4,250**	7,444	3,181	**10,624**	**21,537**	2,100	13·38	33·45	67·81	**9·75**
1980-81	7,856	29,991	**37,847**	589	756	4,092	**4,848**	9,079	4,112	**13,190**	**25,270**	1,759	12·81	34·85	66·77	**6·96**
July, 1981	8,080	32,607	**40,687**	546	844	5,006	**5,850**	10,567	4,304	**14,871**	**26,803**	2,168	14·38	36·55	65·88	**8·09**
August, 1981	8,141	32,847	**40,988**	562	835	4,543	**5,379**	10,560	4,380	**14,940**	**26,779**	2,022	13·12	36·45	65·36	**7·55**
September, 1981	8,019	33,371	**41,390**	586	824	4,709	**5,533**	10,333	4,501	**14,835**	**27,035**	1,875	13·37	35·84	65·32	**6·94**
October 1981	8,275	33,690	**41,965**	625	866	4,750	**5,616**	10,077	4,668	**14,745**	**27,854**	1,919	13·38	35·14	66·37	**6·89**
November 6, 1981	8,386	33,686	**42,071**	592	881	4,742	**5,623**	10,142	4,672	**14,814**	**27,959**	1,983	13·37	35·21	66·46	**7·09**
November 13, 1981	8,298	33,802	**42,101**	615	878	4,776	**5,654**	10,069	4,678	**14,747**	**28,171**	2,031	13·43	35·03	66·91	**7·21**
November 20, 1981	8,265	33,899	**42,164**	601	869	4,819	**5,688**	10,061	4,736	**14,796**	**28,150**	2,118	13·49	35·09	66·76	**7·52**
November 27, 1981	8,311	33,981	**42,291**	572	863	4,584	**5,447**	10,486	4,761	**15,247**	**28,128**	2,090	12·88	36·05	66·57	**7·43**
December 4, 1981	8,252	34,107	**42,359**	599	859	4,897	**5,756**	10,106	4,764	**14,870**	**28,252**	2,150	13·59	35·10	66·70	**7·61**
December 11, 1981	8,265	34,187	**42,452**	672	841	4,799	**5,640**	10,174	4,781	**14,955**	**28,411**	2,213	13·29	35·23	66·92	**7·79**
A year ago	6,863	28,753	**35,616**	501	731	4,103	**4,834**	9,118	3,763	**12,881**	**23,415**	2,021	13·57	36·17	65·74	**8·63**

* Inclusive of the figures pertaining to Regional Rural Banks. [1] As available in the Reserve Bank records. [2] As per the statement of affairs of the Reserve Bank of India. [3] At book value; including treasury bills and treasury deposit receipts, etc. [4] Effective July 27, 1979, the data are inclusive of *all* participation certificates (PCs) issued by scheduled commercial banks, i.e. to other banks *and* financial institutions. Prior to this date, the data were inclusive of PCs issued to *banks only and not to financial institutions.*

Money Stock Measures

(Rs. Crores)

As on last Friday/Friday	Currency with the Public: Total	Currency with the Public: Of which Notes in Circulation	Deposit Money of the Public: Total	Deposit Money of the Public: Of which Demand Deposits with Banks	M_1 (1+2)	Post Office Savings Bank Deposits	M_2 (3+4)	Time Deposits with Banks	M_3 (3+6)	Total Post Office Deposits	M_4 (7+8)
	(1)	(1a)	(2)	(2a)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1977-78	8,631	8,631	5,757	5,687	**14,388**	1,677	16,065	18,518	**32,906**	4,130	37,036
1978-79	10,220	10,212	7,009	6,843	**17,229**	1.850	19,079	22,632	**39,861**	4,777	44,638
1979-80	11,699	11,789	8,248	7,857	**19,947**	2,036	21,983	26,845	**46,792**	5,658	52,450
1980-81	13,461	13,688	9,807	9,396	**23,268**	2,238	25,506	32,046	**55,314**	6,512	61,826
April, 1981	13,856	14,095	9,668	9,404	**23,524**	2,191	25,715	32.840	**56,365**	6,500	62,865
May, 1981	14,052	14,342	9,664	9,505	**23,716**	2,157	25,873	33.476	**57,192**	6,520	63,712
June, 1981	13,969	14,393	9,918	9,796	**23,888**	2,145	26,033	34,251	**58,139**	6,530	66,669
July, 1981	14,070	14,402	9,915	9,728	**23,985**	2,149	26,134	34,821	**58,806**	6,562	65,368
August, 1981	13,219		9,961	9,780	**23,180**			35,066	**58,246**		
September, 1981	13,191		9,824	9,665	**23,015**			35,586	**58,601**		
October, 1981	13,955		10,089	9,918	**24,044**			35,898	**59,942**		
November 6, 1981	14,131		10,203	10,039	**24,334**			35,946	**60,280**		
November 13, 1981	14,107		10,113	9,956	**24,220**			36,068	**60,288**		
November 20, 1981	13,872		10,086	9,922	**23,958**			36,163	**60.121**		
November 27, 1981	13,716		10,100	9,965	**23,816**			36,243	**60,059**		
A year ago	12,509		8,627	6,379	**21,136**			30,456	**51,592**		

Sources of Change in M_3

(Rs. Crores)

As on last Friday/ Friday	Net Bank Credit to Government			Bank Credit to Commercial Sector*			Net Foreign Exchange Assets of Banking Sector			Government's Currency Liabilities to the Public	Banking Sector's Net Non-monetary Liabilities (Other than Time Deposits)			M_3 (1+2+3+4—5)
	RBI's Net Credit	Other Banks' Credit	Total (1a+1b)	RBI's Credit	Other Banks' Credit	Total (2a+2b)	RBI's	Other Banks'	Total (3a+3b)		of RBI	Residual	Total (5a+5b)	
	(1a)	(1b)	(1)	(2a)	(2b)	(2)	(3a)	(3b)	(3)	(4)	(5a)	(5b)	(5)	(6)
1979-80	12,405	7,696	**20,101**	1,546	29,086	**30,630**	5,388	—93	**5,295**	**592**	4,558	5,268	**9,826**	**46,792**
1980-81	16,443	9,363	**25,806**	1,700	34,621	**36,320**	4,775	—93	**4,682**	**609**	5,362	6,741	**12,103**	**55,314**
April, 1981	16,000	10,515	**26,515**	1,709	34,951	**36,660**	4,607	—47	**4,560**	**611**	4,993	6,988	**11,981**	**56,365**
May, 1981	16,496	10,395	**26,891**	1,689	35,480	**37,169**	4,496	—47	**4,449**	**611**	4,996	6,931	**11,928**	**57,192**
June, 1981	17,278	10,282	**27,560**	1,689	35,906	**37,595**	4,248	—47	**4,200**	**611**	5,107	6,720	**11,827**	**58,139**
July, 1981	17,462	10,872	**28,334**	1,764	36,366	**38,131**	4,248	—47	**4,200**	**611**	4,777	7,693	**12,470**	**58.806**
August, 1981	16,195	10,876	**27,071**	1,759	36,322	**38,081**			**3,623**	**609**	4,390	6,748	**11,138**	**58,246**
September, 1981	17,054	10,652	**27,706**	1,784	36,664	**38,448**			**3,515**	**611**	5,159	6,520	**11,679**	**58,601**
October, 1981	18,134	10,400	**28,534**	1,776	37,718	**39,494**			**3,496**	**614**	5,441	6,755	**12,196**	**59,942**
November 6, 1981	18,364	10,464	**28,828**	1,773	37,809	**39,582**			**3,477**	**614**	5,450	6,771	**12,221**	**60,280**
November 13, 1981	18,492	10,391	**28,883**	1,773	38,035	**39,808**			**3,312**	**614**	5,430	6,899	**12,329**	**60,288**
November 20, 1981	18,382	10,383	**28,765**	1,788	38,077	**39,865**			**3,348**	**614**	5,562	6,909	**12,471**	**60,121**
November 27, 1981	18,017	10,808	**28,825**	1,801	38,087	**39,882**			**3,326**	**614**	5,587	7,001	**12,588**	**60,059**
A year ago	13,622	9,661	**23,283**	1,601	31,681	**33,282**			**4,847**	**606**	4,146	6,280	**10,426**	**51,592**

*Includes public sector enterprises.

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Printed and published by R. P. Agarwala on behalf of the Eastern Economist Ltd., United Commercial Bank Building, Parliament Street, New Delhi, at the New India Press, K-Block, Connaught Circus, New Delhi.
Editor: Swaminathan [illegible] Aiyar

Registered at the GPO, London
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Licensed to post without prepayment U-54, Regd. No. D(C,
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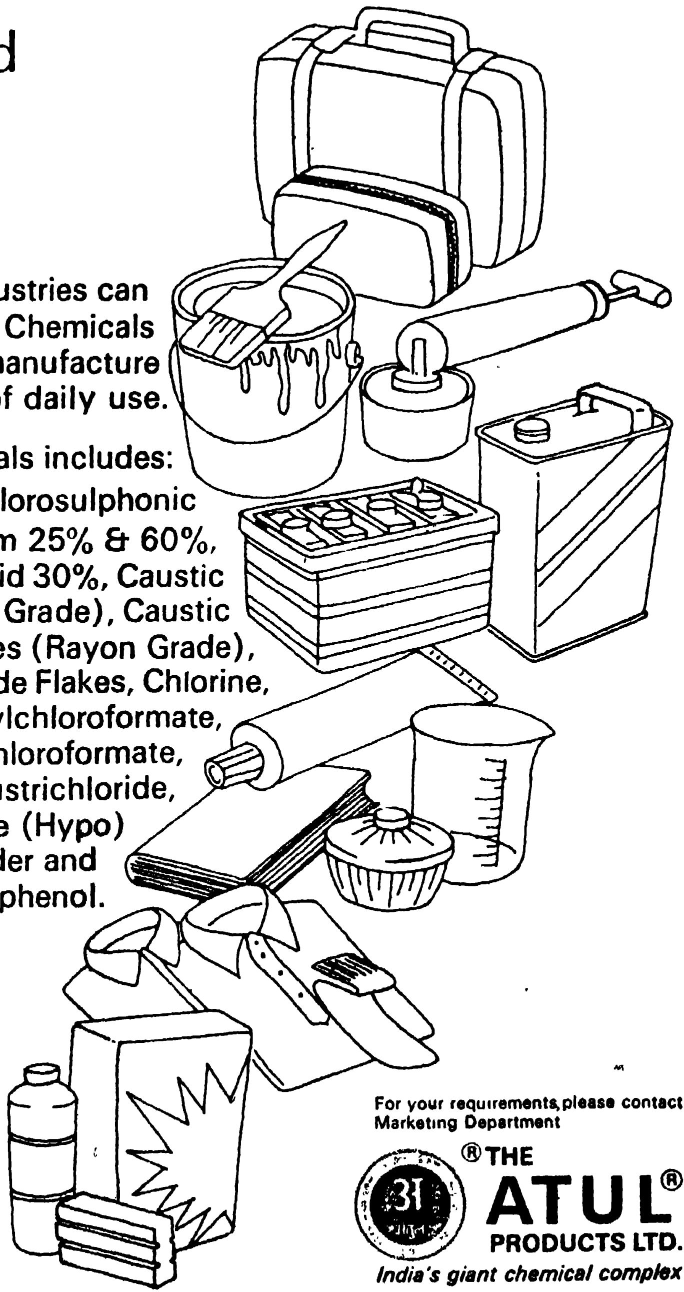

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